

**Harvested materials and  
the *Plant Breeder's Rights Act 1994* (Cth)**

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## Executive summary

A plant breeder's right (PBR) under the *Plant Breeder's Rights Act 1994* (Cth) is an exclusive right to certain dealings with a plant variety based on it being a distinct, uniform and stable new plant variety for a limited term. This is extended to 'harvested material' and the products of 'harvested material' where the PBR owner has not authorised the production or reproduction of the PBR'ed variety and has not had a 'reasonable opportunity' to exercise their PBR. This report addresses the operation of the 'harvested material' and the products of 'harvested material' provisions in the *Plant Breeder's Rights Act 1994* (Cth).

This report was prepared as part of a contract with IP Australia for 'Research in respect of Plant Breeder's Rights policy issues and presentation of an analytical report: C2022/10042'. This report delivers on that part of the contract about 'Harvested Material'.

The report includes a comprehensive review of the relevant negotiations, laws, practices, statutory schemes, judgements, policy reviews, academic and scholarly literature and IP Australia's empirical materials about breeder's rights. After that the report addresses the identified policy issues that might need further consideration and includes an analysis and recommendations.

### What is 'harvested material'? (§5.1)

The *Plant Breeder's Rights Act 1994* (Cth) PBR is extended to 'harvested material' and the products of 'harvested material' on two conditions: (1) the PBR owner has not authorised the production or reproduction of the PBR'ed variety; and (2) the PBR owner has not had a 'reasonable opportunity' to exercise their PBR. The meaning of 'harvested material' is uncertain where the 'harvested material' is also 'propagating material'. For example, PBR'ed barley is harvested, is the harvested barley grain 'harvested material' that gets the PBR's exclusive rights only when the conditions are satisfied, or is it also 'propagating material' *per se* and gets the PBR's exclusive rights?

Considering the possible complications and confusion tracking and tracing 'propagating material', the construction of the statutory provision in the *Plant Breeder's Rights Act 1994* (Cth) and the recent High Court decision in *Calidad Pty Ltd v Seiko Epson Corporation* where the majority decided in favour of the exhaustion doctrine (in place of the implied licence doctrine), then the *Plant Breeder's Rights Act 1994* (Cth) might be amended to make clear that 'harvested material' that is also 'propagating material' should be considered to be 'propagating material' *per se*. The recommendations reflect this conclusion and the consequential changes required.

#### Recommendation 1

The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) to clarify that where 'harvested material' is also 'propagating material' then that material should be availed of the 'exclusive rights' available to 'propagating material' *per se*, without the need for the cascading to deem the 'harvested material' as 'propagating material' with the thresholds of 'authorisation' and a 'reasonable opportunity'. This should involve:

1. Adding a note to the *Plant Breeder's Rights Act 1994* (Cth) s. 11.
2. Repealing the *Plant Breeder's Rights Act 1994* (Cth) s. 14(2).

### **Recommendation 2**

The Australian Government should clarify that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder's Rights Act 1994* (Cth). This is necessary to avoid the uncertainty that existed with the application of the implied licence doctrine, illustrated by the decisions in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.

### **Recommendation 3**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.

### **Recommendation 4**

The Australian Government should advocate at UPOV to amend the UPOV 'harvested material' explanatory note to clarify that 'harvested material' that is also 'propagating material' is to be considered 'propagating material' *per se*.

### **The concept of 'authorisation' and 'unauthorised use' (§5.2)**

For the *Plant Breeder's Rights Act 1994* (Cth) PBR's to be extended to 'harvested material' and the products of 'harvested material' the PBR owner must, in part, not have authorised the production or reproduction of the PBR'ed variety. The meaning of 'authorisation' (and 'unauthorised use' in UPOV 1991) is unclear and appears to be confined to authorising the PBR's exclusive rights. This interpretation creates problems for PBR owners extending their PBRs to 'harvested material' and the products of 'harvested material', although this would be ameliorated by considering 'harvested material' that is also 'propagating material' as 'propagating material' *per se*. The Australian Government should advocate at UPOV to amend the 'harvested material' explanatory note clarifying that 'unauthorised use' means the broader permission of the PBR owner and not the more limited authorising the acts that would otherwise be infringement. This would then flow through to interpreting the *Plant Breeder's Rights Act 1994* (Cth). The recommendations reflect this conclusion and the consequential changes to address these conclusions.

### **Recommendation 5**

The Australian Government should advocate at UPOV to amend the UPOV 'harvested material' explanatory note to clarify that 'unauthorised use' means that the permission of the PBR owner has not been obtained for any use of the 'propagating material' for growing a harvest of 'harvested material' or the products of 'harvested material' rather than just authorising the acts of the PBR's 'exclusive rights'.

### **Recommendation 6**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of authorisation required for extending PBRs to 'harvested material' and products of 'harvested material'. This might be case studies, information sheets, and so on.

### **The concept of ‘reasonable opportunity’ (§5.3)**

The other requirement for the *Plant Breeder’s Rights Act 1994* (Cth) PBR’s to extend to ‘harvested material’ and the products of ‘harvested material’ is that the PBR owner must not have had a ‘reasonable opportunity’ to exercise their PBR. The Advisory Council on Intellectual Property (ACIP) previously recommended that no changes be made to the current *Plant Breeder’s Rights Act 1994* (Cth) and informally recommended information and education programs to enhance the education and awareness of PBR stakeholders. That position is endorsed with the acceptance of the exhaustion doctrine adopted by the High Court majority in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder’s Rights Act 1994* (Cth) and considering ‘harvested material’ that is also ‘propagating material’ as ‘propagating material’ *per se*.

#### **Recommendation 7**

The Australian Government should make no changes to the the ‘reasonable opportunity’ threshold in the *Plant Breeder’s Rights Act 1994* (Cth).

#### **Recommendation 8**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of the ‘reasonable opportunity’ threshold. This might be explanatory materials, case studies, information sheets, and so on.

### **A ‘purchase right’ (§5.4)**

A concern addressed by ACIP was the focus on the ‘exclusive rights’ that apply to ‘propagating material’ that did not necessarily suit the needs of all sectors, such as the grains and ornamental and horticultural sectors. There the value was in the plant materials harvested as grains, pot plants, cut flowers and fruits and forest products and collecting royalties at that stage was complicated. The concern here was not about the ‘harvested material’ also being ‘propagating material’, but rather that the ‘exclusive rights’ were focused on the ‘propagating material’ rather than the ‘harvested material’, and the existing extension of the ‘exclusive rights’ to ‘harvested material’ was not adequate. To address this problem, ACIP recommended a ‘purchase right’ whereby any purchasers would require a licence from the PBR owner that would clearly identify users and facilitate PBR owners obtaining royalties from users. This would only apply to taxa declared by the *Plant Breeder’s Rights Regulations 1994* (Cth). The Australian Government rejected the ACIP recommendation considering contract-based ways for PBR owners to address their concerns. The exhaustion on first sale in the High Court majority in *Calidad Pty Ltd v Seiko Epson Corporation* perhaps corroborates the Australian Government’s response. In the alternative, however, this may have missed the point. A new ‘purchase right’ would address the specific and ongoing concern of the grains industry about transactions that are currently problematic including direct users of harvested grains such as on-farm storage by growers, feeding livestock on farm, processing plants, feed lots, millers, maltsters and ethanol producers, and the specific ongoing concerns of the ornamental and horticulture sectors about transactions that are currently problematic including the sale of pot plants, cut flowers and fruit.

**Recommendation 9**

The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) s. 11 to include a 'purchase right' among the 'exclusive rights' of a PBR and this should only apply to taxa declared by the *Plant Breeder's Rights Regulations 1994* (Cth).

**Recommendation 10**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.

## Listing of recommendations

### Recommendations

1. The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) to clarify that where 'harvested material' is also 'propagating material' then that material should be availed of the 'exclusive rights' available to 'propagating material' *per se*, without the need for the cascading to deem the 'harvested material' as 'propagating material' with the thresholds of 'authorisation' and a 'reasonable opportunity'. This should involve:
  1. Adding a note to the *Plant Breeder's Rights Act 1994* (Cth) s. 11.
  2. Repealing the *Plant Breeder's Rights Act 1994* (Cth) s. 14(2).
2. The Australian Government should clarify that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder's Rights Act 1994* (Cth). This is necessary to avoid the uncertainty that existed with the application of the implied licence doctrine, illustrated by the decisions in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.
3. IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.
4. The Australian Government should advocate at UPOV to amend the UPOV 'harvested material' explanatory note to clarify that 'harvested material' that is also 'propagating material' is to be considered 'propagating material' *per se*.
5. The Australian Government should advocate at UPOV to amend the UPOV 'harvested material' explanatory note to clarify that 'unauthorised use' means that the permission of the PBR owner has not been obtained for any use of the 'propagating material' for growing a harvest of 'harvested material' or the products of 'harvested material' rather than just authorising the acts of the PBR's 'exclusive rights'.
6. IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of authorisation required for extending PBRs to 'harvested material' and products of 'harvested material'. This might be case studies, information sheets, and so on.
7. The Australian Government should make no changes to the the 'reasonable opportunity' threshold in the *Plant Breeder's Rights Act 1994* (Cth).
8. IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of the 'reasonable opportunity' threshold. This might be explanatory materials, case studies, information sheets, and so on.
9. The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) s. 11 to include a 'purchase right' among the 'exclusive rights' of a PBR and this should only apply to taxa declared by the *Plant Breeder's Rights Regulations 1994* (Cth).
10. IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.



## Part 1: Introduction

Throughout the plant industry producing food, fibre and bio-materials, it is the breeders who develop new and better varieties that are then delivered to growers (usually farmers, although that term no longer captures the many ways and means of growing plants) that produce the harvest that eventually ends in the palates and hands of consumers. Plant breeding is the critical foundation for delivering these foods, fibres and industrial materials and the ongoing challenge is how to do this better.

Inherent in plant breeding is the problem of making sure that breeders can deliver improved varieties and that there are not disincentives in place that might retard bringing these better varieties to growers and their harvests to consumers. A part of this involves the regulatory settings. For plant breeding the *International Convention for the Protection of New Varieties of Plants* done at Geneva on 19 March 1991 (UPOV 1991)<sup>1</sup> provides a framework agreement that has been adopted by Australia and implemented in domestic law in the *Plant Breeder's Rights Act 1994* (Cth). This also fulfils Australia's commitment to the World Trade Organisation's (WTO) *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS Agreement)<sup>2</sup> that included a requirement to protect new plant varieties.<sup>3</sup> The *Plant Breeder's Rights Act 1994* (Cth) provides 'exclusive rights' for 'propagating material'<sup>4</sup> and then extends this to 'harvested material'<sup>5</sup> and the products of 'harvested material'.<sup>6</sup> The key effect of these 'exclusive rights' is to facilitate the breeder obtaining a royalty on their new variety by limiting the dealings with that variety as a reward and incentive to breed improved varieties.<sup>7</sup> And it is these 'exclusive rights', delivering both a limited monopoly and royalties, that is the critical element of the virtuous cycle facilitating new and better varieties into the future.

The regulatory settings in the *Plant Breeder's Rights Act 1994* (Cth), however, need to provide a scheme that address the nuances of the different plant breeding sectors. New varieties where the growers need to purchase new supplies of seed or new plants each time they grow a crop, imposing a royalty is relatively easy. Examples include hybrid varieties (like maize, tomatoes, and so on) where the offspring materials cannot be saved and then easily regrown (like seeds). In these cases, a royalty on the seed or plant and the point of sales is both efficient and effective and an intellectual property scheme is of little consequence. For other forms, however, where there are biological limitations that affect the potential to obtain a royalty are more complicated and intellectual property like the *Plant Breeder's Rights Act 1994* (Cth) are central to garnering a sufficient reward to offset the costs (time, money and other resources) breeding new and better varieties. These other varieties are plants that are:

1. *Self-reproducing varieties (like wheat and barley) and asexual varieties (like sugar cane setts)* – Growers of these self-reproducing varieties can purchase the cuttings or seeds

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<sup>1</sup> [2000] ATS 6 (UPOV 1991).

<sup>2</sup> *Marrakesh Agreement Establishing the World Trade Organization* [1995] ATS 8, Annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*) (TRIPS Agreement).

<sup>3</sup> TRIPS Agreement, Art. 27.3(b).

<sup>4</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 11.

<sup>5</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 14.

<sup>6</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 15.

<sup>7</sup> House of Representatives, *Hansard*, 24 August 1994, pp. 157-158 (Minister for Administrative Services); Senate, *Hansard*, 24 March 1994, (Senator John Faulkner) p. 2306.

once and then save and regrow the cuttings or seeds with the effect that while royalties can be collected on the sales of the initial material, collecting sales on later regrown materials is complicated because the original owner is unable to identify the incidents of regrowth (including over-the-fence trading by growers). This revenue leakage can be significant where cuttings and seeds are saved and regrown over long periods of time.

2. *Slow growing varieties (like trees and vines)* – Growers of these slow growing varieties can purchase the seeds and plants and pay a royalty at that purchase. The problem, however, is that this can be a significant investment decision with long-term consequences because of uncertainty about the production and price outcomes once the harvested materials (including fruits, nuts and so on) become available and are sent to market. The uncertainty means that growers may be reluctant to take on the new and better varieties because of the long-term uncertainty.

Perhaps a more useful way to conceive the nuances of the different plant breeding sectors is according to the commonly partitioned groupings across the different forms of growth and reproduction.<sup>8</sup> Figure 1 illustrates generalizations about the production chain for these groupings. This grouping illustrates the kinds of stakeholders involved in dealings with the plant materials from the germplasm providers to the palates and hands of the end consumers.

The *Plant Breeder's Rights Act 1994* (Cth) is administered by IP Australia that accepts applications for plant breeder's rights (PBRs)<sup>9</sup> and makes decisions about the grant of PBRs.<sup>10</sup> The *Plant Breeder's Rights Act 1994* (Cth) itself was a re-writing of the *Plant Variety Rights Act 1987* (Cth) in conformity with UPOV 1991 and some additional measures to increase the efficiency of the scheme.<sup>11</sup> The justification for the scheme was to encourage further investment in plant breeding in Australia, to increase community access to varieties, and to facilitate the transfer of technology and know-how from overseas.<sup>12</sup> Over the decades this has proven popular and successful among plant breeders,<sup>13</sup> although improvements have been implemented following a range of inquiries and reviews<sup>14</sup> with the main changes being the *Plant Breeder's Rights Amendment Act 2002* (Cth) removing the exclusion of food, fodder and fuel from the scheme<sup>15</sup> and the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) updating the essentially

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<sup>8</sup> See IP Australia, *Review of Enforcement of Plant Breeder's Rights*, Options Paper (IP Australia, 2008) [1.4.1].

<sup>9</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 24(1).

<sup>10</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 44(1).

<sup>11</sup> House of Representatives, *Hansard*, 24 August 1994, pp. 157-158 (Minister for Administrative Services); Senate, *Hansard*, 24 March 1994, pp. 2305-2306 (Senator John Faulkner).

<sup>12</sup> Department of Agriculture Fisheries and Forestry, *International Convention for the Protection of New Varieties of Plants of 2 December 1961, as revised at Geneva on 10 November 1972, on 23 October 1978, and on 19 March 1991 – National Interest Analysis* (1999) <<http://www.austlii.edu.au/au/other/dfat/nia/1999/33.html>>. See also House of Representatives, *Hansard*, 24 August 1994, p. 157 (Minister for Administrative Services); Senate, *Hansard*, 24 March 1994, p. 2306 (Senator John Faulkner).

<sup>13</sup> For an overview see Charles Lawson and Andrew Cecil, 'Quantitative Assessment of Applications for Plant Breeder's Rights under the Plant Breeder's Rights Act 1994 (Cth) from 1994-2019' (2020) *Australian Intellectual Property Journal* 64.

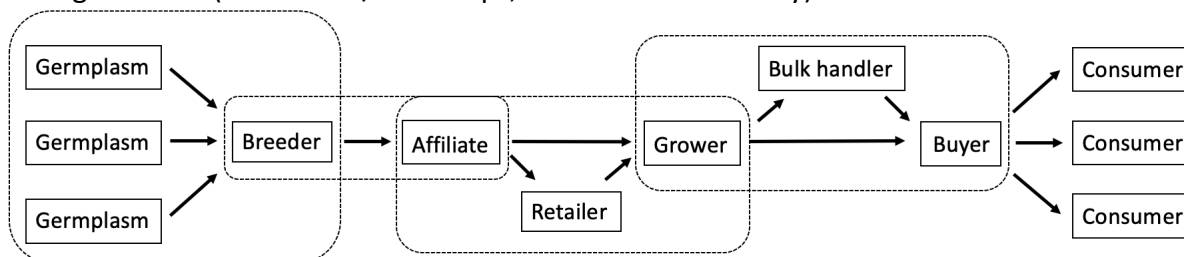
<sup>14</sup> See, for examples, Productivity Commission, *Intellectual Property Arrangements*, Inquiry Report No 78 (Productivity Commission, 2016); Advisory Council on Intellectual Property, *A Review of Enforcement of Plant Breeder's Rights*, Final Report (IP Australia, 2010).

<sup>15</sup> *Plant Breeder's Rights Amendment Act 2002* (Cth) s. 3 and sch. 1 (Item 4).

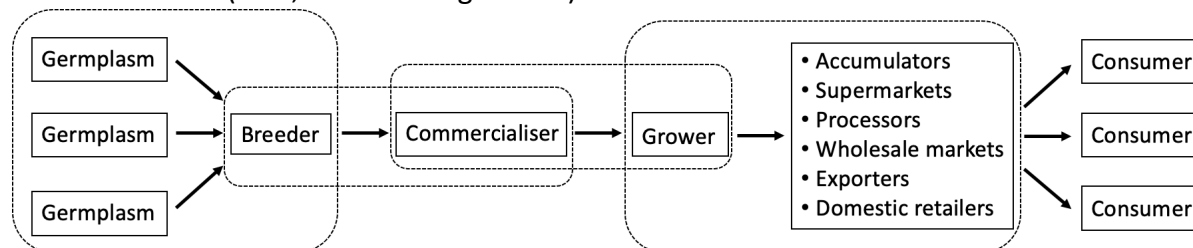
derived varieties provisions.<sup>16</sup> The basic scope, however, of PBRs has not changed and applies to ‘propagating material’<sup>17</sup> and extending to essentially derived varieties (s 12), certain dependent plant varieties (s 13), to ‘harvested material’<sup>18</sup> and to products obtained from ‘harvested material’,<sup>19</sup> with some limited exceptions.<sup>20</sup> There remain a number of ambiguities in these substantive laws about ‘propagating material’ and ‘harvested material’.

**Figure 1: Generalizations about the production chain for various plant groupings demonstrating the kinds of stakeholders from the provision of germplasm to the palates and hands of consumers. The dotted line boxes indicate the stakeholders that enter into agreements for ‘propagating material’ and ‘harvested material’.**

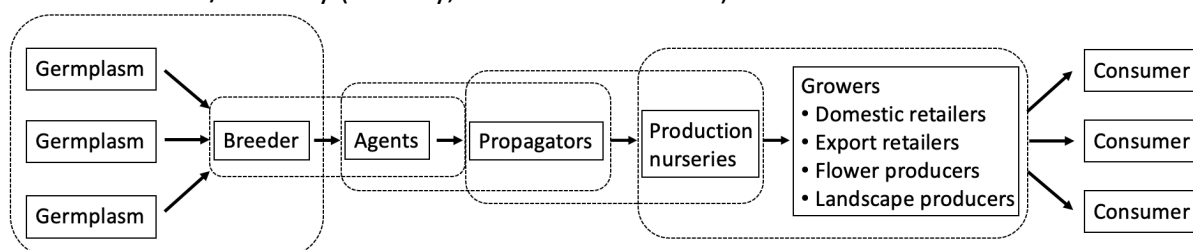
1. Agricultural (broad acre/field crops, like wheat and barley)



2. Horticultural (fruit, nuts and vegetables)



3. Ornamental/Amenity (nursery, floriculture and turf)



This report addresses those ambiguities to provide some insights into how the existing laws might be made better, and is structured as follows:

Part 2 – Outlines the international and national negotiations, laws and practices including the scheme under the *Plant Breeder’s Rights Act 1994* (Cth) addressing ‘propagating material’ and ‘harvested material’. This includes details about the legislation, legislative amendments, court decisions and practice information as a background to the subsequent policy assessment.

<sup>16</sup> *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) s. 3 and sch. 1 (Items 7-42).

<sup>17</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 3(1) (‘propagating material’) and 11.

<sup>18</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14.

<sup>19</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>20</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 17 (conditioning and farmer saved seeds), 18 (government uses) and 19 (reasonable public access).

- Part 3 – Reviews the relevant prior academic and trade literature about ‘propagating material’ and ‘harvested material’. This shows there has been little engagement with these under the *Plant Breeder’s Rights Act 1994* (Cth).
- Part 4 – Reviews the empirical materials in the IP Australia Policy Register and shows the plant breeding industry are confused and muddled about the differences between ‘propagating material’ and ‘harvested material’ and that some clarification would be desirable.
- Part 5 – Addresses the policy issues that arise about ‘propagating material’ and ‘harvested material’ under the *Plant Breeder’s Rights Act 1994* (Cth). These include the meaning of the term ‘harvested material’, the concept of ‘authorisation’, the concept of ‘reasonable opportunity’ and a ‘purchase right’.
- Part 6 – This sets out the final words concluding there are clear solutions to some of these problems addressed by the report, although as always, those solutions will never be perfect in every aspect and pointing to a balance between the interests of PBR owners and the broader public. Here those appropriate solutions are minor amendments to the *Plant Breeder’s Rights Act 1994* (Cth) and a program of preparing explanatory materials to assist the PBR stakeholders.

## Part 2: Relevant negotiations, laws, practices, and so on

This part traces the legal context for the *Plant Breeder's Rights Act 1994* (Cth) relevant for understanding the 'propagating material' and 'harvested material' policy issues addressed in the subsequent parts.

### 2.1 UPOV 1991 scheme

Australia's commitments to UPOV 1991 included the 'exclusive rights' for 'propagating material'<sup>21</sup> and extending those rights in limited circumstances<sup>22</sup> within the territory of the member of the UPOV.<sup>23</sup>

- (1) [*Acts in respect of the propagating material*]
  - (a) Subject to Articles 15 [Exceptions to the Breeder's Right] and 16 [Exhaustion of the Breeder's Right], the following acts in respect of the propagating material of the protected variety shall require the authorization of the breeder:
    - (i) production or reproduction (multiplication),
    - (ii) conditioning for the purpose of propagation,
    - (iii) offering for sale,
    - (iv) selling or other marketing,
    - (v) exporting,
    - (vi) importing,
    - (vii) stocking for any of the purposes mentioned in (i) to (vi), above.
  - (b) The breeder may make his authorization subject to conditions and limitations.
- (2) [*Acts in respect of the harvested material*] Subject to Articles 15 and 16, the acts referred to in items (i) to (vii) of paragraph (1)(a) in respect of harvested material, including entire plants and parts of plants, obtained through the unauthorized use of propagating material of the protected variety shall require the authorization of the breeder, unless the breeder has had reasonable opportunity to exercise his right in relation to the said propagating material.
- (3) [*Acts in respect of certain products*] Each Contracting Party may provide that, subject to Articles 15 and 16, the acts referred to in items (i) to (vii) of paragraph (1)(a) in respect of products made directly from harvested material of the protected variety falling within the provisions of paragraph (2) through the unauthorized use of the said harvested material shall require the authorization of the breeder, unless the breeder has had reasonable opportunity to exercise his right in relation to the said harvested material.
- (4) [*Possible additional acts*] Each Contracting Party may provide that, subject to Articles 15 and 16, acts other than those referred to in items (i) to (vii) of paragraph (1)(a) shall also require the authorization of the breeder.<sup>24</sup>

Thus, UPOV sets out the 'exclusive rights' for 'propagating material'<sup>25</sup> and extends these 'exclusive rights' to 'harvested material'<sup>26</sup> and the products of 'harvested material'<sup>27</sup> in limited circumstances. UPOV explanatory materials explain the proposed reach:

Article 14.2 of the 1991 Act requires that, in order for the breeder's right to extend to acts in respect of harvested material, the harvested material must have been obtained through the unauthorized use of

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<sup>21</sup> UPOV 1991, Art. 14.1.

<sup>22</sup> UPOV 1991, Arts. 14.2, 14.3 and 14.4.

<sup>23</sup> UPOV 1991, Arts. 2 and 4.

<sup>24</sup> UPOV 1991, Art. 14.

<sup>25</sup> UPOV 1991, Art. 14.1.

<sup>26</sup> UPOV 1991, Art. 14.2.

<sup>27</sup> UPOV 1991, Art. 14.3.

propagating material and that the breeder must not have had reasonable opportunity to exercise his right in relation to the said propagating material.<sup>28</sup>

The key thresholds here are ‘propagating material’, ‘harvested material’, ‘unauthorized use’ and ‘reasonable opportunity’. UPOV 1991 does not define ‘propagating material’. There is, however, some guidance provided by UPOV of the possible factors that might constitute ‘propagating material’:<sup>29</sup>

- (i) plant or part of plants used for the variety reproduction;
- (ii) whether the material has been or may be used to propagate the variety;
- (iii) whether the material is capable of producing entire plants of the variety;
- (iv) whether there has been a custom/practice of using the material for propagating purposes or, as a result of new developments, there is a new custom/practice of using the material for that purpose;
- (iv) the intention on the part of those concerned (producer, seller, supplier, buyer, recipient, user);
- (v) if, based on the nature and condition of the material and/or the form of its use, it can be determined that the material is ‘propagating material’; or
- (vi) the variety material where conditions and mode of its production meet the purpose of reproduction of new plants of the variety but not of final consumption.<sup>30</sup>

While the definition of ‘harvested material’ is not concluded, UPOV 1991 explanatory materials make clear that ‘harvested material’ includes ‘entire plants and parts of plants’<sup>31</sup> that have been obtained from using ‘propagating material’.<sup>32</sup>

Similarly, ‘unauthorized use’ and ‘reasonable opportunity’ are not defined, and again UPOV 1991 explanatory materials make clear that ‘unauthorized use’ refers to the acts of the ‘exclusive rights’ for ‘propagating material’ that require the authorisation of the PBR holder in the territory and that authorisation has not been obtained.<sup>33</sup> So, as an example, exporting a PBR protected ‘propagating material’<sup>34</sup> without the authorisation of the PBR holder would be an unauthorised act.<sup>35</sup> This authorisation may be provided subject to conditions,<sup>36</sup> such as the form and level of remuneration, the period of authorisation, methods of production, quantities and qualities, territories, sub-licencing, and so on,<sup>37</sup> subject to the exceptions of acts done privately and for non-commercial purposes,<sup>38</sup> acts done for experimental

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<sup>28</sup> International Union for the Protection of New Varieties of Plants, *Explanatory Notes on Acts in Respect of Harvested Material under the 1991 Act of the UPOV Convention* (2013) UPOV/EXN/HRV/1, [1].

<sup>29</sup> Note UPOV is presently reviewing the guidance materials: see Working Group on Harvested Material and Unauthorized Use of Propagating Material, *Draft Agenda* (2022) WG-HRV/2/1.

<sup>30</sup> International Union for the Protection of New Varieties of Plants, *Explanatory Notes on Propagating Material under the UPOV Convention* (2017) UPOV/EXN/PPM/1, p. 3.

<sup>31</sup> UPOV 1991, Arts. 14.2 and 16.2.

<sup>32</sup> UPOV/EXN/HRV/1, above n. 28, [2].

<sup>33</sup> *Ibid.*, [4]. See also *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* (2019) Case C-176/18, [32]-[39] (P.G. Xuereb, T. von Danwitz and A. Kumin); *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís*, Opinion of the Advocate General (2019) Case C-176/18, [54] (H. Saugmandsgaard Øe).

<sup>34</sup> UPOV 1991, Art. 14.1(a)(v).

<sup>35</sup> UPOV/EXN/HRV/1, above n. 28, [6].

<sup>36</sup> *Ibid.*, [7]. See also UPOV 1991, Art. 14.2.

<sup>37</sup> International Union for the Protection of New Varieties of Plants, *Explanatory Notes on Conditions and Limitations Concerning the Breeder's Authorization in Respect of Propagating Material under the UPOV Convention* (2010) UPOV/EXN/CAL/1, [3].

<sup>38</sup> UPOV 1991, Art. 15.1(i).

purposes,<sup>39</sup> the ‘breeder’s exemption’<sup>40</sup> and the (optional) ‘farmer’s exemption’.<sup>41</sup> The ‘reasonable opportunity’ then refers to the opportunity of the PBR holder to exercise their ‘exclusive rights’ within the territory of the PBR grant.<sup>42</sup>

Unfortunately, the UPOV explanatory materials have introduced some ambiguities that are currently being addressed by UPOV.<sup>43</sup> There are two distinct problems that require a resolution:

1. *Authorisation and infringement* – The UPOV explanatory materials currently provide that the authorisation required of the PBR holder is for the unauthorised acts that would be infringing acts.<sup>44</sup> For ‘harvested material’, however, the acts of infringement that require authorisation are not about authorisation to use the ‘propagating material’, and so it would be impossible to enforce a variety right because there is no form of authorisation possible.<sup>45</sup>
2. *Extra-territorial use and then non-infringing uses* – The UPOV explanatory notes presently provide, in part: ‘unauthorized acts can only occur in the territory of the member of the Union where a breeder’s right has been granted and is in force’.<sup>46</sup> The specific problem is about the limit of infringement to a territory and the scenario popularly reflected in the imagination of UPOV 1978<sup>47</sup> and UPOV 1991 negotiations where the variety right is not enforceable against the user in the market.<sup>48</sup> The example is a protected flowering plant in the first country taken to a second country without variety rights, where it is grown and the cut flowers harvested, and those cut flowers are then exported back to the first country to compete with fruit lawfully grown and harvested in the first country.<sup>49</sup> There is no infringement, and so no authorisation is required for the ‘harvested material’ on the market.

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<sup>39</sup> UPOV 1991, Art. 15.1(ii).

<sup>40</sup> UPOV 1991, Art. 15.1(iii).

<sup>41</sup> UPOV/EXN/HRV/1, above n. 28, [7]-[11]; International Union for the Protection of New Varieties of Plants, *Explanatory Notes on Exceptions to the Breeder’s Right under the 1991 Act of the UPOV Convention* (2009) UPOV/EXN/EXC/1, [4]-[28]. See also UPOV 1991, Art. 15.2.

<sup>42</sup> UPOV/EXN/HRV/1, *ibid*, [12]-[13].

<sup>43</sup> See WG-HRV/2/1, above n. 29.

<sup>44</sup> UPOV/EXN/HRV/1, above n. 28, [5]. See also *Club de Variedades Case C-176/18 (Xuereb et al.)*, above n. 33, [32]-[39]; *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, above n. 33, [54].

<sup>45</sup> See, for example, Working Group on Harvested Material and Unauthorized Use of Propagating Material, *Additional proposals from Japan on UPOV/EXN/HRV and UPOV/EXN/PRP* (2022) WG-HRV/2/PROPOSALS/JP, p. 1.

<sup>46</sup> UPOV/EXN/HRV/1, above n. 28, [4].

<sup>47</sup> *International Convention for the Protection of New Varieties of Plants* done at Geneva on of 2 December 1961 and revised 10 November 1972 and 23 October 1978 [1989] ATS 2 ( ).

<sup>48</sup> See International Union for the Protection of New Varieties of Plants, *Records of the Geneva Diplomatic Conference on the Revision of the International Convention for the Protection of New Varieties of Plants*, UPOV Publication No. 346(E) (UPOV, 1992) p. 422 ([1652]); International Union for the Protection of New Varieties of Plants, *Records of the Geneva Diplomatic Conference on the Revision of the International Convention for the Protection of New Varieties of Plants*, UPOV Publication No. 337(E) (UPOV, 1981) p. 148 ([289.3]). See also *International Convention for the Protection of New Varieties of Plants* done at Geneva on of 2 December 1961 and revised 10 November 1972, Art. 5.1 (UPOV 1972).

<sup>49</sup> See, for example, Working Group on Harvested Material and Unauthorized use of Propagating Material, *Information Concerning Propagating Material, Acts in Respect of Harvested Material and Provisional Protection under the UPOV Convention* (2022) WG-HRV/2/2, Annex (p. 5, [10]).

The resolution of amendments to the UPOV explanatory notes remains uncertain. Unfortunately, the recent European decision in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís*<sup>50</sup> relied on the opinion of the Advocate General that made reference to the UPOV explanatory notes perhaps giving them some authority they otherwise might not have had.<sup>51</sup> The result is that the meaning of ‘unauthorised use’ appears confined to only those acts that would infringe a variety right.

## **2.2 Plant Breeder’s Rights Act 1994 (Cth)**

The *Plant Breeder’s Rights Act 1994* (Cth) sets out a scheme for the grant of a PBR for a new variety that is distinct, uniform, stable and has not, or only recently been exploited.<sup>52</sup> The intention was to give effect to Australia’s commitments to UPOV 1991.<sup>53</sup> Once granted the PBR is a series of ‘exclusive right’:

to do, or to license another person to do, the following acts in relation to propagating material of the variety:

- (a) produce or reproduce the material;
- (b) condition the material for the purpose of propagation;
- (c) offer the material for sale;
- (d) sell the material;
- (e) import the material;
- (f) export the material;
- (g) stock the material for the purposes described in paragraph (a), (b), (c), (d), (e) or (f).<sup>54</sup>

This extends to essentially derived varieties,<sup>55</sup> certain dependent plant varieties,<sup>56</sup> harvested material in certain circumstances,<sup>57</sup> products from harvested material in certain circumstances.<sup>58</sup> The exceptions from these ‘exclusive rights’ are certain acts done for private, experimental or breeding purposes,<sup>59</sup> conditioning and use of farm saved seed<sup>60</sup> and acts authorised by or under a law of the Commonwealth, State or Territory.<sup>61</sup> The term of a PBR is 25 years for trees and vines and 20 years for any other variety<sup>62</sup> from the day of the PBR grant<sup>63</sup> unless it is an essentially derived variety or a dependent plant variety where the terms ends when PBR in the initial variety ends.<sup>64</sup>

Key definitions are clustered around the ideal of ‘propagating material’:

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<sup>50</sup> *Club de Variedades* Case C-176/18 (Xureb *et al.*), above n. 33, [32]-[39].

<sup>51</sup> See *Club de Variedades* Case C-176/18 (Saugmandsgaard *Øe*), above n. 33, [54].

<sup>52</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 43(1).

<sup>53</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 3(1) (‘Convention’) and 10(a). See also House of Representatives, *Hansard*, 24 August 1994, p. 157 (Minister for Administrative Services); Senate, *Hansard*, 24 March 1994, p. 2306 (Senator John Faulkner).

<sup>54</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>55</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 12.

<sup>56</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 13.

<sup>57</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14.

<sup>58</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>59</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 16.

<sup>60</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 17.

<sup>61</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 18.

<sup>62</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 22(2).

<sup>63</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 22(1).

<sup>64</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 22(4) and (5).



**conditioning**, in relation to propagating material of a plant variety, means: (a) cleaning, coating, sorting, packaging or grading of the material; or (b) any other similar treatment; undertaken for the purpose of preparing the material for propagation or sale ...

**propagating material**, in relation to a plant of a particular plant variety, means any part or product from which, whether alone or in combination with other parts or products of that plant, another plant with the same essential characteristics can be produced.

**propagation**, in relation to a living organism or its components, means the growth, culture or multiplication of that organism or component, whether by sexual or asexual means ...

**reproduction**, in relation to propagating material of a plant of a particular variety, means any process, whereby the number of units of that propagating material that have the capacity to grow into independent plants is multiplied.<sup>65</sup>

With the grant of a PBR,<sup>66</sup> the PBR owner can enjoy the ‘exclusive rights’ (and the cascading rights and exceptions)<sup>67</sup> until they exhaust.<sup>68</sup> These cascading rights include the extension of the ‘exclusive rights’ that relate to ‘propagating material’ to the ‘harvested material’ and the products of ‘harvested material’ as if it were ‘propagating material’.<sup>69</sup> The Explanatory Memorandum to the *Plant Breeder’s Rights Bill 1994* (Cth) provided:

The Bill proposes to extend the breeder’s right to the harvested material, but only if the grantee of the right has not had a reasonable opportunity to exercise the right to the propagating material.<sup>70</sup>

The ‘harvested material’ provision as it appeared in the *Plant Breeder’s Rights Act 1994* (Cth) provides:

- (1) If:
  - (a) propagating material of a plant variety covered by PBR is produced or reproduced without the authorisation of the grantee; and
  - (b) the grantee does not have a reasonable opportunity to exercise the grantee’s right in relation to the propagating material; and
  - (c) material is harvested from the propagating material;section 11 operates as if the harvested material were propagating material.
- (2) Subsection (1) applies to so much of the material harvested by a farmer from propagating material conditioned and reproduced in the circumstances set out in subsection 17(1) as is not itself required by the farmer, for the farmer’s own use, for reproductive purposes.<sup>71</sup>

The products of ‘harvested material’ provision as it appeared in the *Plant Breeder’s Rights Act 1994* (Cth) provides:

- If:
- (a) propagating material of a plant variety covered by PBR is produced or reproduced without authorisation of the grantee; and
  - (b) the grantee does not have a reasonable opportunity to exercise the grantee’s rights in relation to the propagating material; and

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<sup>65</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1).

<sup>66</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 44(1).

<sup>67</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 11-19.

<sup>68</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 23.

<sup>69</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1) and 15.

<sup>70</sup> Explanatory Memorandum to the *Plant Breeder’s Rights Bill 1994* (Cth) p. 2.

<sup>71</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14.

- (c) material is harvested from plants grown from the propagating material but the grantee does not have, in the circumstances set out in section 14, a reasonable opportunity of exercising the grantee's rights in the harvested material; and
  - (d) products are made from the harvested material;
- section 11 operates as if those products were propagating material.<sup>72</sup>

The *Plant Breeder's Rights Act 1994* (Cth) then provides an exception for some conditioned and use of saved 'propagating material':

- (1) If:
  - (a) a person engaged in farming activities legitimately obtains propagating material of a plant variety covered by PBR either by purchase or by previous operation of this section, for use in such activities; and
  - (b) the plant variety is not included within a taxon declared under subsection (2) to be a taxon to which this subsection does not apply; and
  - (c) the person subsequently harvests further propagating material from plants grown from that first-mentioned propagating material;
 the PBR is not infringed by:
  - (d) the conditioning of so much of that further propagating material as is required for the person's use for reproductive purposes; or
  - (e) the reproduction of that further propagating material.<sup>73</sup>

The *Plant Breeder's Rights Act 1994* (Cth) provides that the 'exclusive rights' are infringed when a person does any of the following with the PBR'ed variety (or dependent variety) without authorisation, or inconsistently with their authorisation: produce or reproduce the material; condition the material for the purpose of propagation; offer the material for sale; sell the material; import or export the material; or stock the material for any of these purposes.<sup>74</sup> There will also be infringement where a person claims to be able to do these things without authorisation or inconsistently with their authorisation<sup>75</sup> or uses the name of the PBR'ed variety.<sup>76</sup> It is the PBR holder or their exclusive licensee who must bring the action for infringement in the Federal Courts.<sup>77</sup>

This scheme for 'propagating material' and 'harvested material' has not been subject to any major amendment since the original *Plant Breeder's Rights Act 1994* (Cth) was passed. Minor amendments were made by the *Plant Breeder's Rights Amendment Act 2002* (Cth) adding a note to *Plant Breeder's Rights Act 1994* (Cth) s. 11<sup>78</sup> to draw attention to the 'exclusive rights' extending to essentially derived varieties,<sup>79</sup> certain dependent plant varieties,<sup>80</sup> harvested material<sup>81</sup> and products obtained from harvested material (s 15).<sup>82</sup> The intention was that the amendment 'makes explicit the existing links in the operation' of the 'exclusive rights' and the operation of the cascading provisions extending those exclusive rights.<sup>83</sup>

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<sup>72</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 15.

<sup>73</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 17.

<sup>74</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 53(1)(a).

<sup>75</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 53(1)(b).

<sup>76</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 53(1)(c).

<sup>77</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 54(1).

<sup>78</sup> *Plant Breeder's Rights Amendment Act 2002* (Cth) s. 3 and sch. 1 (item 3).

<sup>79</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 12.

<sup>80</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 13.

<sup>81</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 14.

<sup>82</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 15.

<sup>83</sup> Explanatory Memorandum to the *Plant Breeder's Rights Amendment Bill 2002* (Cth) p. 12.

### **2.3 *Cultivaust Pty Ltd v Grain Pool Pty Ltd***

Some insights into the definitions of ‘propagating material’ in relation to ‘harvested material’ were addressed in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.<sup>84</sup> There ‘Franklin’ barley was developed by the State of Tasmania and subsequently protected with a PBR.<sup>85</sup> The State of Tasmania granted an exclusive licence of those rights to Cultivaust Pty Ltd (Cultivaust).<sup>86</sup> The State of Tasmania and Cultivaust then variously supplied the PBR’ed barley that was allocated and distributed to farmers for growing.<sup>87</sup> The farmers then grew the barley and delivered up a portion of the harvest to Grain Pool Pty Ltd (Grain Pool), a compulsory statutory marketing authority established under the *Grain Marketing Act 2002* (WA), for sale to maltsters and animal feeders (expressly not reproduction)<sup>88</sup> and saved the remainder for planting and harvesting in the next season(s) and also delivered up to Grain Pool.<sup>89</sup> The State of Tasmania and Cultivaust were seeking to impose a harvest production levy or End Point Royalty (EPR) from Grain Pool rather than try to enforce their PBR and seek their royalties from each of the growers.<sup>90</sup> The dispute was whether by storing, selling and exporting barley grown from the farm saved seed (the second and subsequent generation crops), Grain Pool had infringed the State of Tasmania’s (and Cultivaust’s as its licensee) PBR?<sup>91</sup>

At first instance in the Federal Court, Justice Mansfield in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* found there was no infringement.<sup>92</sup> He reasoned that any rights the State of Tasmania (and Cultivaust as its licensee) had under the *Plant Variety Rights Act 1987* (Cth) exhausted when they sold propagating material to a grower, and where the grower retained seed from the harvest and used it for a second-generation harvest, there were ‘no statutory rights’ over the second-generation harvest.<sup>93</sup> Justice Mansfield then considered the *Plant Breeder’s Rights Act 1994* (Cth) that had made significant changes, and particularly in relation to second and subsequent generations harvested from farm-saved seed.<sup>94</sup>

Justice Mansfield considered that the PBR extended to all the dealings with barley seeds (or grains) as ‘propagating material’ including selling, offering for sale, either directly or through Cultivaust, and to exporting.<sup>95</sup> He considered that these rights then cascaded to include material harvested from the propagating material (‘harvested material’)<sup>96</sup> and products made

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<sup>84</sup> (2004) 62 IPR 11 (Mansfield J).

<sup>85</sup> The new variety was originally protected as a plant variety right under the *Plant Variety Rights Act 1987* (Cth) and this became a PBR under the transition provisions of the *Plant Breeder’s Rights Act 1994* (Cth) s. 82(1): see *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [156] (Mansfield J).

<sup>86</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [3] (Mansfield J).

<sup>87</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [63]-[147] (Mansfield J).

<sup>88</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [149] and [179] (Mansfield J).

<sup>89</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [179]-[180] (Mansfield J).

<sup>90</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [192] (Mansfield J).

<sup>91</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [6]-[7] (Mansfield J).

<sup>92</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>93</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [159] and [163]-[164] (Mansfield J).

<sup>94</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [165] (Mansfield J).

<sup>95</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [167] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>96</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [168]-[169] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 14.

from that ‘harvested material’.<sup>97</sup> Various acts he considered were permitted as not infringing the PBR were:<sup>98</sup> some private, experimental or breeding purposes,<sup>99</sup> conditioning and use of farm saved seed,<sup>100</sup> foods, food ingredients or fuels,<sup>101</sup> reasonable public access to that plant variety,<sup>102</sup> and exhaustion.<sup>103</sup> Justice Mansfield then contrasted exhaustion<sup>104</sup> with some private, experimental or breeding purposes,<sup>105</sup> conditioning and use of farm saved seed,<sup>106</sup> and uses for foods, food ingredients or fuels,<sup>107</sup> saying:

Any act which would otherwise be inconsistent with the PBR referred to in s. 11 is not within the PBR if it takes place after the propagating material has been sold, unless the act of alleged infringement of the PBR either ‘involves further production or reproduction’ of the propagating material, or involves the export of propagating material to a country that does not provide PBR in relation to the particular variety and is for a purpose other than ‘final consumption’.<sup>108</sup>

Justice Mansfield found that all the barley made available by Grain Pool and others was grown and harvested, including second and subsequent generations harvested from farm-saved seed, and delivered to Grain Pool.<sup>109</sup> Having established this context Justice Mansfield interpreted the definition of ‘propagating material’ in the *Plant Breeder’s Rights Act 1994* (Cth) and concluded:

‘Propagating material’ is defined to refer to a particular plant with reproductive capacity. It is not defined generically, so as to refer to all plants with reproductive capacity as being some form of collective propagating material. Its emphasis is upon the reproductive unit from which another essentially similar unit can be produced. That is consistent with the definition of ‘propagation’ as referring to the process by which a plant grows or multiplies. It also is consistent with the definition of ‘reproduction’, as referring to the process by which particular propagating material, that is, a plant capable of reproduction, is able to generate multiple individual plants capable of reproduction.<sup>110</sup>

Next, he accepted that the PBR’s ‘exclusive rights’ were in respect of the ‘propagating material’<sup>111</sup> that was extended (‘cascade’)<sup>112</sup> in certain circumstances to the harvest of

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<sup>97</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [168]-[169] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>98</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [172] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 53(1).

<sup>99</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 16.

<sup>100</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 17.

<sup>101</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 18. Although subsequently repealed: see *Plant Breeder’s Rights Amendment Act 2002* (Cth) s. 3 and sch. 1, item 4.

<sup>102</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 19.

<sup>103</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 23.

<sup>104</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 23.

<sup>105</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 16.

<sup>106</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 17.

<sup>107</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 18. Although subsequently repealed: see *Plant Breeder’s Rights Amendment Act 2002* (Cth) s. 3 and sch. 1, item 4.

<sup>108</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [177] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 23.

<sup>109</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [179]-[180] (Mansfield J).

<sup>110</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [183] (Mansfield J).

<sup>111</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [184] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>112</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [166] (Mansfield J).

‘propagating material’ (‘harvested material’)<sup>113</sup> and products obtained from ‘harvested material’.<sup>114</sup> The products of ‘harvested material’ were not in issue in this case<sup>115</sup> with the focus just on ‘harvested material’ deemed to be ‘propagating material’ – ‘Franklin barley grown and harvested from farm-saved seed’.<sup>116</sup>

Justice Mansfield considered that the PBR’s ‘exclusive rights’ were ‘in relation to propagating material’<sup>117</sup> and this meant that the cascading extension of the ‘exclusive right’ to the ‘harvested material’<sup>118</sup> would provide some insight into restraints imposed by the ‘exclusive rights’.<sup>119</sup> For the first generation of seed (G1) they could be stored and sold because ‘the supply of the seed necessarily authorised the use of that seed to grow a crop and the sale of the crop from that seed’ (an implied licence).<sup>120</sup> Where seeds were saved (farm-saved seeds) and grown for a second generation (G2), they can be conditioned and reproduced for a further harvest.<sup>121</sup> Where a harvest is produced for sale from those saved seeds (G2 and G2+), however, ‘the second and subsequent generations of crop are also to be treated as if the harvested material were propagating material’ attracting the PBR ‘exclusive rights’ as ‘propagating material’<sup>122</sup> if the threshold that the second and subsequent generations (G2+) are not authorized by the PBR holder and the PBR holder does not have a reasonable opportunity to exercise its PBR in relation to the propagating material (G0 and G1).<sup>123</sup>

For Grain Pool, as the accumulator wanting to identify PBR protected materials delivered to it, the concern was that identifying seeds according to their generation from the original seeds (G0 and G1), and whether or not they were the originally supplied seeds of second or subsequent generation (G2+), was difficult.<sup>124</sup> Justice Mansfield considered this misplaced because ‘both the second generation crop, and any crop harvested from it, are to be treated as propagating material’ to which the PBR’s exclusive rights apply ‘provided first that the production or reproduction of the crop is without the authorisation of the grantee’<sup>125</sup> and ‘provided second that the condition “the grantee does not have a reasonable opportunity to exercise its PBR in relation to the propagating material”’.<sup>126</sup> And these provisos were a question of fact.<sup>127</sup>

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<sup>113</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [185] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1).

<sup>114</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [185] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>115</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [205] (Mansfield J).

<sup>116</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [178] (Mansfield J).

<sup>117</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>118</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1).

<sup>119</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [185] (Mansfield J).

<sup>120</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [186] (Mansfield J).

<sup>121</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [187] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 17(1)(d) and (e).

<sup>122</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [188] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) ss. 11, 14(2) and 17(1).

<sup>123</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [189]-[190] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1)(a) and (b).

<sup>124</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [189] (Mansfield J).

<sup>125</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1)(a).

<sup>126</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [190] (Mansfield J). See also *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1)(b).

<sup>127</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [191] (Mansfield J).

Applying his reasoning to the circumstances of the allegation that Grain Pool had infringed Tasmania's and Cultivaust as its licensee's PBR, Justice Mansfield considered that for barley the 'harvested material' was 'propagating material' to which the PBR 'exclusive rights' applied and that the conduct of the State of Tasmania and Cultivaust was that they wanted to assert their PBR 'exclusive rights' through a harvest production levy or EPR.<sup>128</sup> That it was convenient for dealing with Grain Pool to impose a harvest production levy or EPR was immaterial because the State of Tasmania and Cultivaust *could* have enforced their PBR against the growers.<sup>129</sup> And because the State of Tasmania and Cultivaust knew both that growers were saving seeds for future harvests for sale and export and that a PBR applied to those materials and could have been subjected to conditions at the point of original sale,<sup>130</sup> they had had a 'reasonable opportunity' to exercise their PBR but failed to take up that opportunity against the growers.<sup>131</sup> As there was a 'reasonable opportunity' to exercise their PBR then the PBR's 'exclusive rights' did not extend to the 'harvested material' of second and subsequent generations.<sup>132</sup> The outcome was to find that Grain Pool had not infringed the State of Tasmania's and Cultivaust's PBR because there was 'a reasonable opportunity to exercise [State of Tasmania's] PBR in relation to the propagating material leading to each harvest and so s. 11 does not operate as if the harvested material were propagating material'.<sup>133</sup>

On appeal to the Full Federal Court, Justices Finn, Emmett and Bennett did not decide any of these matters as the appeal was confined to the proper construction of the now repealed exception of foods, food ingredients or fuels.<sup>134</sup> The decision did, however, provide some useful commentary. Justices Finn, Emmett and Bennett considered that:

[56] In dealing with s. 14 of the Plant Breeder's Act the primary judge considered the meaning of s. 14(1)(b), which is in the same terms as s. 15(b). The primary judge, in dealing with whether State of Tasmania had a 'reasonable opportunity to exercise the grantee's right in relation to Franklin barley produced or reproduced without its authorisation', the primary judge characterised Tasmania's 'rights' (sic) as 'exclusive, but negative' and said that the exercise of 'those rights' (sic) involved, if necessary, action under s. 54 [action for infringement] of the Plant Breeder's Act. However, s. 54 simply provides that an action for an infringement of PBR in a plant variety may be begun in the Federal Court.

[57] His Honour's characterisation may involve a confusion of the concept of exercising the right that constitutes PBR with the concept of enforcing rights that arise under the Plant Breeder's Act by reason of infringement of the right, conferred by the Plant Breeder's Act, that constitutes PBR. That is to say, if s. 14(1) be relevant, the primary judge may have misconstrued s. 14(1)(b) in failing to distinguish between the grantee's right under s. 11 and the secondary rights that arise by reason of infringement of that right, as provided for in s. 53(1) [PBR infringement]. In the light of the conclusion reached above, it is unnecessary to resolve that question but it should not be thought that his Honour's view of ss. 14(1)(b) and 15(b) would necessarily be endorsed if the question arises in the future.<sup>135</sup>

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<sup>128</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [192]-[193] (Mansfield J).

<sup>129</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [195] (Mansfield J).

<sup>130</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] (Mansfield J).

<sup>131</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>132</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199]-[200] (Mansfield J).

<sup>133</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>134</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [1] (Finn, Emmett and Bennett JJ). *Plant Breeder's Rights Act 1994* (Cth) s. 18, before the repealed by the *Plant Breeder's Right Amendment Act 2002* (Cth) s. 3 and sch. 1 (Item 4).

<sup>135</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [56]-[57] (Finn, Emmett and Bennett JJ).

The legacy from the *Cultivaust Pty Ltd v Grain Pool Pty Ltd* decisions has been the lack of clarity around the scope of protection, the treatment of ‘propagating material’ and ‘harvested material’ when ‘propagating material’ is ‘harvested material’ (like grain harvested from a wheat crop), what constitutes a ‘reasonable opportunity’ for the PBR owner to exercise their PBR over the propagating material, farm-saved seeds, essential derivation and exhaustion.<sup>136</sup> Some of these matters were considered by the Advisory Council on Intellectual Property (ACIP) in 2010 (see §2.5).

#### **2.4 Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís**

This case concerned the mandarin tree variety ‘Nadorcott’ that Sanchís purchased between 1995 and 2006 from a nursery that was open to the public and planted in 2005 and 2006 with some plants replaced in 2006 with other plants purchased from the same nursery.<sup>137</sup> A community plant variety right under the *Council Regulation (EC) No 2100/94 of 27 July 1994 on community plant variety rights* (Regulation 2100/94) was applied for in 1995, accepted in 2004 and finally granted after all appeals were dismissed in 2006.<sup>138</sup> The issue before the court was whether the planting and harvesting of fruit required authorisation (hence infringement) or that the fruit was ‘harvested material’ that required prior authorisation and a ‘reasonable opportunity’ to exercise the community plant variety right.<sup>139</sup> The specific concern was about the application of Regulation 2100/94 to the provisional application before the granting date in 2006 and equitable remuneration, and then infringement after that date.<sup>140</sup> Importantly, Sanchís was not using the purchased plants or the harvested fruit for propagation, so the fruit was treated as just ‘harvested material’.<sup>141</sup>

In applying Regulation 2100/94, the court considered that the regulation set out two different forms of protection: one where authorisation was required for ‘acts of production or reproduction (multiplication)’, and so on, and the other for ‘harvested material’ that requires the authorisation of the holder of a community plant variety right and a ‘reasonable opportunity’ to exercise his or her rights (see Attachment 1).<sup>142</sup> For the court the planting and harvesting of fruit was not an ‘act of production or reproduction (multiplication)’ but rather was the production of ‘harvested material’.<sup>143</sup> As such, the Regulation 2100/94 standard was to first determine whether there was ‘unauthorised use’ and then a ‘reasonable opportunity’.<sup>144</sup> In making this assessment the court had regard to the policy justification for community plant variety rights identified in the Regulation 2100/94 recitals and that protection must not go beyond what is necessary to encourage breeding and that the public interest in agricultural production justifies restricting the exercise of community plant variety rights.<sup>145</sup> Further, the extension to ‘harvested material’ avoids exhaustion of the community plant variety right against third parties where they do not have ‘consent’ or further

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<sup>136</sup> See Advisory Council on Intellectual Property – Review of Enforcement, above n. 14, p. 30.

<sup>137</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33, [11]-[12].

<sup>138</sup> *Ibid.*, [11].

<sup>139</sup> *Ibid.*, [17]. See also *Council Regulation (EC) No 2100/94 of 27 July 1994 on community plant variety rights*, Art. 13 (Regulation 2100/94).

<sup>140</sup> *Ibid.* [19].

<sup>141</sup> *Ibid.*, [20].

<sup>142</sup> *Ibid.*, [21]-[24] and [29]. See also Regulation 2100/94, Arts. 13.2 and 13.3.

<sup>143</sup> *Ibid.*, [29].

<sup>144</sup> *Ibid.*, [29].

<sup>145</sup> *Ibid.*, [32]. See also Regulation 2100/94, Recitals 5, 14, 17, 18 and 20.

propagation of the variety was not ‘authorised’ by the right holder.<sup>146</sup> The result in this case was that:

the activity of planting a protected variety and harvesting the fruit thereof, which is not liable to be used as propagating material, requires the authorisation of the holder of the community plant variety right relating to that plant variety where the conditions laid down in Article 13(3) of that regulation [namely, ‘unauthorised use’ and ‘reasonable opportunity’] are fulfilled.<sup>147</sup>

The remaining question for the court was whether the propagation and sale to a farmer (Sanchís) by a nursery after the application but before the final grant of the community plant variety right was ‘unauthorised’?<sup>148</sup> The starting point was that after grant any act of the ‘exclusive rights’ would be infringement unless authorized and so their performance without authorisation would be ‘unauthorised’.<sup>149</sup> But before that grant, the applicant cannot prevent the acts of the ‘exclusive rights’ so their performance without authorisation would not be ‘unauthorised’, although they could be compensated where those acts have been performed.<sup>150</sup> In this case, Sanchís planting and harvesting before the grant was not ‘unauthorised’ so there was no extension of the community plant variety right to fruit as ‘harvested material’<sup>151</sup> and after grant the planting and harvesting which was not likely to be used as propagating material was not ‘acts of production or reproduction (multiplication)’ so there was no requirement for ‘authorisation’.<sup>152</sup> The acts of the ‘exclusive rights’ of ‘offering for sale’, ‘selling or other marketing’, and so on, after the grant would have been subject to the prior ‘authorisation’ and so Sanchís harvesting the fruit would have been an ‘unauthorised’ use.<sup>153</sup> The matter could not be finally determine by this court as they had no evidence about the ‘reasonable opportunity’ and returned the matter to the referring court.<sup>154</sup>

## **2.5 ACIP review**

ACIP reviewed various aspects of ‘propagating material’ and ‘harvested material’ under the *Plant Breeder’s Rights Act 1994* (Cth) and identified some concerns with the current law.<sup>155</sup> A specific concern was the overlap between ‘propagating material’ and ‘harvested material’ where the ‘harvested material’ was also ‘propagating material’.<sup>156</sup> This related to the ‘exclusive rights’ that apply to ‘propagating material’<sup>157</sup> and extend to ‘harvested material’ and their products.<sup>158</sup> The example is grains such as wheat and barley that are sold as seed

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<sup>146</sup> Ibid., [31]. See also Regulation 2100/94, Art. 16.

<sup>147</sup> Ibid., [39].

<sup>148</sup> Ibid., [40].

<sup>149</sup> Ibid., [41].

<sup>150</sup> Ibid., [42]-[45].

<sup>151</sup> Ibid., [46].

<sup>152</sup> Ibid., [46] and [50].

<sup>153</sup> Ibid., [47]-[48] and [50].

<sup>154</sup> Ibid., [50]. Noting that the Spanish Supreme Court did not then address the issue: see Adrián Crespo Velasco, ‘The CJEU Reaches a Controversial Compromise on the Scope of Protection of Plant Variety Rights’ (2020) 15 *Journal of Intellectual Property Law and Practice* 976, 983.

<sup>155</sup> ACIP – Review of Enforcement, above n. 14, pp. 30-62. See also IP Australia – Enforcement, above n. 8; IP Australia, *Review of Enforcement of Plant Breeder’s Rights*, Issues Paper (IP Australia, 2007).

<sup>156</sup> See ACIP – Review of Enforcement, *ibid.*, p. 39.

<sup>157</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>158</sup> ACIP – Review of Enforcement, above n. 14, p. 39. See also *Plant Breeder’s Rights Act 1994* (Cth) ss. 14 and 15.



being ‘propagating material’, and then grown and harvested as seed that is both ‘propagating material’ and ‘harvested material’. This is particularly important for the grains sector that wants to impose EPRs as an efficient way to collect royalties for that sector.<sup>159</sup> For EPRs the royalty is assessed at the point of delivering harvested grains to the accumulators (bulk handlers), traders, millers, and so on (see Figure 1). As such, the PBR holders are uncertain about their ‘exclusive rights’ that apply only to ‘propagating material’<sup>160</sup> and the need for contracts that could rely on the ‘harvested material’ provisions.<sup>161</sup> The ambiguity arises because it is not entirely clear that the ‘exclusive rights’ that apply to ‘propagating material’ are applying to the seed that is both ‘propagating material’ and ‘harvested material’ as the primary ‘exclusive rights’<sup>162</sup> or the extended form.<sup>163</sup>

ACIP recommended that the *Plant Breeder’s Rights Act 1994* (Cth) be amended ‘to clarify that harvested material that is also propagating material is to be considered as propagating material for the purposes of s. 11, even if it is not being used for that purpose’.<sup>164</sup> ACIP also suggested a way that this might be done:

ACIP believes that the best way of making it clear that harvested grains that also constitute propagating material are covered by s. 11 is to clarify this in the PBR Act. Options for achieving this include making an amendment to the Definitions in s. 3 or adding an explanatory note to s. 11, such as:

Note: Where harvested material is also propagating material, such harvested material is to be considered to be propagating material for the purposes of s. 11.<sup>165</sup>

The Australian Government response was, although this has not been implemented yet:

The Government will seek an amendment to the definition of harvested material in the [*Plant Breeder’s Rights Act 1994* (Cth)] so that the definition is consistent with the decision in *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223. Consequently, it will be clear that harvested material ‘such as grain’ that is also propagating material is covered by s. 11, even if it is not being used for that purpose.<sup>166</sup>

Another concern addressed by ACIP was that a ‘purchase rights’ was desirable for some plant industry sectors like the grains industry but not others like the horticulture and ornamental industries, and that a ‘purchase right’ should be determined by IP Australia for declared taxa.<sup>167</sup> A ‘purchase rights’ was to be an ‘exclusive right’ to ‘purchase the material’<sup>168</sup> and would facilitate and better enable EPRs because PBR holders would be able to impose EPRs on purchasers of the ‘propagating material’ and ‘harvested material’ without having to

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<sup>159</sup> Ibid., pp. 32-35.

<sup>160</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>161</sup> See ACIP – Review of Enforcement, above n. 14, pp. 32-36. See also *Plant Breeder’s Rights Act 1994* (Cth) ss. 14 and 15.

<sup>162</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>163</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 14 and 15.

<sup>164</sup> ACIP – Review of Enforcement, above n. 14, p. 42 (Recommendation 2).

<sup>165</sup> Ibid., p. 39.

<sup>166</sup> IP Australia, *Government Response – Enforcement of Plant Breeder’s Rights* (2012) [2] available at <<https://www.ipaustralia.gov.au/about-us/public-consultations/archive-ip-reviews/ip-reviews/government-response-enforcement-pbr>>.

<sup>167</sup> ACIP – Review of Enforcement, above n. 14, pp. 41-42.

<sup>168</sup> Ibid., p. 42.

impose complicated contractual arrangements on initial purchasers to pass on to later buyers and dealers.<sup>169</sup> ACIP stated:

A new 'purchase' right would enable EPRs to be obtained from end users, traders and accumulators rather than growers. Because end users, traders and accumulators are less numerous and, as a general rule, more easily identified than growers, the existence of a purchase right would reduce transaction costs and probably increase compliance levels. There would be increased incentives to invest in plant breeding, but without extending PBR more than is appropriate. Those organisations who are purchasing propagating material such as grain would incur higher administrative burdens, but there would be potential efficiency gains for the sector in general. It has been a practice in some sectors for royalties to be collected both when the grower purchases the initial propagating material and when the grower sells the harvested product. It appears that it is increasingly more common to collect royalties on the harvested product alone.<sup>170</sup>

The Australian Government response to the ACIP's recommendation of a 'purchase right' was that it might disturb the current balance of the *Plant Breeder's Rights Act 1994* (Cth) and that existing contractual measures were suitable for the specific needs of different sectors.<sup>171</sup>

ACIP also addressed the issue of 'reasonable opportunity'<sup>172</sup> where 'exclusive rights' were extended from 'propagating material'<sup>173</sup> to 'harvested material',<sup>174</sup> subject to growers using the 'harvested material' for another crop.<sup>175</sup> The purpose of this extension was posited to be 'to enable the PBR owner to obtain a royalty in situations where PBR cannot be enforced over the propagating material'.<sup>176</sup> ACIP's examples were:

- where a cereal variety is propagated without the knowledge or authorisation of the PBR owner, but the PBR owner can identify the resulting flour produced from the harvested grain.
- where a protected fruit tree is reproduced by grafting without the authorisation of the PBR owner but the resulting fruit on the market can be identified.
- where a protected ornamental variety is reproduced without the PBR owner's knowledge but the resulting plants or cut flowers on the market can be identified.<sup>177</sup>

ACIP addressed the concerns that it was uncertain about what constituted a 'reasonable opportunity', the burden of proving 'reasonable opportunity', how this applied to materials harvested from farm-saved seeds and whether royalties on the 'harvested material' were empowered by the basic 'exclusive rights' or the extension of those 'exclusive rights'.<sup>178</sup> ACIP concluded there was confusion over the 'reasonable opportunity' and reasoned that UPPOV 1991 had intended that PBR owners first exercise their rights over 'propagating material' before considering other possibilities.<sup>179</sup> ACIP recommended that no changes be made,<sup>180</sup> although appeared to accept that a 'purchase' right could be substituted to remove the

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<sup>169</sup> See *ibid.*, pp. 40-42.

<sup>170</sup> *Ibid.*, p. 40.

<sup>171</sup> Australian Government Response – Enforcement, above n. 166.

<sup>172</sup> *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(b) and 15(b).

<sup>173</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 11.

<sup>174</sup> *Plant Breeder's Rights Act 1994* (Cth) ss. 14 and 15.

<sup>175</sup> ACIP – Review of Enforcement, above n. 14, pp. 43-49.

<sup>176</sup> *Ibid.*, p. 43. See also Explanatory Memorandum to the *Plant Breeder's Rights Bill 1994* (Cth) p. 2.

<sup>177</sup> ACIP – Review of Enforcement, *ibid.*, p. 43.

<sup>178</sup> *Ibid.*, p. 45. See also *Plant Breeder's Rights Act 1994* (Cth) ss. 11, 14 and 15.

<sup>179</sup> *Ibid.*, p. 48.

<sup>180</sup> *Ibid.*, p. 49 (Recommendation 3).

uncertainty<sup>181</sup> but that removing the ‘reasonable opportunity’ standard might be inconsistent with UPOV 1991.<sup>182</sup> For ACIP, clarifying that where ‘harvested material’ was also ‘propagating material’ such as grains, then considering the ‘harvested material’ as ‘propagating material’ with the basic ‘exclusive rights’ would avoid most of the uncertainties of the ‘reasonable opportunity’ standard.<sup>183</sup> This left the meaning of ‘reasonable opportunity’ and the burden of proving ‘reasonable opportunity’, which ACIP considered was best addressed by the opinion of an expert panel, but not through reversing the onus of proof (so not putting the burden on the user or purchaser to show the PBR owner *did have* a reasonable opportunity to exercise their PBR).<sup>184</sup> The result was that ACIP made no recommendation, although they did make an informal recommendation:

- a clarifying note on this issue be added to s. 17 [farmer’s privilege] ...;
- the Government emphasise this point as part of its information and education programs; and
- further elaboration and/or guidance be provided by an Expert Panel.<sup>185</sup>

The Australian Government response to ACIP was to agree that ‘[n]o changes be made to extended rights under [ss] 14 and 15’.<sup>186</sup>

ACIP also addressed the concerns that removing the farmer’s privilege to save ‘propagating material’ would reduce farmer competitiveness, slow the adoption of new varieties, require more investment in seed production infrastructure to make up for seed multiplication currently performed by farmers, promote PBRs and expose farmers to biosecurity risks with more seeds imported onto growers’ fields.<sup>187</sup> More specific concerns were about the farmer’s privilege to saved asexual ‘propagating material’ like buds, cuttings and grafts.<sup>188</sup> The counter to these propositions was that the farmer’s privilege enabled growers to avoid purchasing seeds, made identifying growers difficult for PBR owners and encourages illegitimate acts like over-the-fence trading among growers, selling harvests of save seeds without permission and royalties, and so on.<sup>189</sup> ACIP concluded there was ‘insufficient evidence to support removing farmer’s privilege altogether’ and that there already existed provision for declaring specific taxa no subject to the farmer’s privilege.<sup>190</sup> ACIP suggested this might be used by breeders of specially susceptible varieties, such as forage cereals.<sup>191</sup> ACIP also suggested breeders should clearly set out their conditions of sale to growers and the grower’s obligations.<sup>192</sup> The Australian Government agreed with these points.<sup>193</sup> To avoid any confusion about the operation of the farmer’s privilege, ACIP recommended:

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<sup>181</sup> Ibid., p. 48.

<sup>182</sup> Ibid., p. 49.

<sup>183</sup> Ibid., p. 49.

<sup>184</sup> Ibid., p. 49.

<sup>185</sup> Ibid., p. 49.

<sup>186</sup> Australian Government Response – Enforcement, above n. 166, [3]. See also ACIP – Review of Enforcement, *ibid.*, p. 49.

<sup>187</sup> ACIP – Review of Enforcement, *ibid.*, p. 51.

<sup>188</sup> Ibid., p. 57.

<sup>189</sup> Ibid., p. 52.

<sup>190</sup> Ibid., pp. 54-55.

<sup>191</sup> Ibid., pp. 55 and 56 (Recommendation 5).

<sup>192</sup> Ibid., pp. 55 and 56 (Recommendation 6).

<sup>193</sup> Australian Government Response – Enforcement, above n. 166, [5] and [6].

s 17 [the farmer's privilege] should be amended to state in easily understood terms that s. 17 does not provide the farmer with the right to perform the acts listed in s. 11(a) to (g) [exclusive rights]. For example, the farmer will still require the PBR owner's authorisation to sell the reproduced propagating material, the harvested material or the product of the harvested material.<sup>194</sup>

The Australian Government response to ACIP was that the concerns about s. 17 (farmer's privilege) were accepted in principle, but:

The Government accepts that the interpretation of section 17 is not well understood in some sectors of the plant breeding industry. However, the Government does not believe that legislative change is the most appropriate option to address this issue. Rather, the Government believes that it can work with the plant breeding industry and achieve the recommended result by better explaining the operation of section 17 in education and awareness campaigns. These campaigns will fully address this recommendation without the need to amend section 17.<sup>195</sup>

ACIP attention to the farmer's privilege and saved asexually 'propagating material' like buds, cuttings and grafts indicted that in some sectors large number of varieties under cultivation were infringing.<sup>196</sup> Notably, the farmer's privilege applies only to 'a person engaged in farming activities'<sup>197</sup> and so would not apply to nurseries, and similar institutions propagating plant materials.<sup>198</sup> ACIP recommended there be no changes to the farmer's privilege for saved asexual 'propagating material',<sup>199</sup> while noting that UPOV 1991 was intended to apply only to saving 'propagating material' in traditional farming practices and that specific taxa could be excluded.<sup>200</sup> ACIP's concern was about being unsure of the likely consequences and complicating factors of imposing any limits.<sup>201</sup> ACIP's solution was that 'PBR owners should be encouraged to consider applying to have taxa declared under s. 17 as not being subject to farmer's privilege'.<sup>202</sup> The Australian Government response to ACIP was to accept ACIP's recommendation.<sup>203</sup>

## **2.6 Productivity Commission review**

More recently, the Productivity Commission undertook a review of intellectual property arrangements in Australia including the *Plant Breeder's Rights Act 1994* (Cth).<sup>204</sup> They identified the major concerns as 'whether [PBR] regimes and their "breeder's exception" can provide sufficient protection against copying, particularly when plant breeding technologies and practices are changing rapidly' and 'the enforcement of rights, particularly in regard to the payment of royalties or licences fees by plant growers'.<sup>205</sup> The focus of the Productivity Commission, however, was on distinctiveness and essentially derived varieties,<sup>206</sup> recovering adequate royalties through compliance and enforcement requirements<sup>207</sup> and the potential

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<sup>194</sup> ACIP – Review of Enforcement, above n. 14, p. 56 (Recommendation 4).

<sup>195</sup> Australian Government Response – Enforcement, above n. 166, [4] and [5].

<sup>196</sup> ACIP – Review of Enforcement, above n. 14, pp. 58-60.

<sup>197</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 17(1)(a).

<sup>198</sup> ACIP – Review of Enforcement, above n. 14, p. 58.

<sup>199</sup> *Ibid.*, p. 62 (Recommendation 7).

<sup>200</sup> *Ibid.*, p. 62. See also *Plant Breeder's Rights Act 1994* (Cth) s. 17(2).

<sup>201</sup> *Ibid.*, pp. 61-62.

<sup>202</sup> *Ibid.*, p. 62.

<sup>203</sup> Australian Government Response – Enforcement, above n. 166, [7].

<sup>204</sup> Productivity Commission – Intellectual Property Arrangements, above n. 14, pp. 407-430.

<sup>205</sup> *Ibid.*, p. 416.

<sup>206</sup> *Ibid.*, pp. 416-424.

<sup>207</sup> *Ibid.*, pp. 425-429.

for technology to make PBRs redundant.<sup>208</sup> Of particular interest was their views about a 'purchase' right, specifically in the context of grains that might be saved and regrown, to facilitate EPRs so that royalties might be recovered from purchasers such as traders and accumulators rather than from grain growers.<sup>209</sup> The Productivity Commission agreed with the earlier Australian Government assessment<sup>210</sup> following the ACIP report<sup>211</sup> that a 'purchase' right was not necessary because there were already alternative contract-based ways to address the concern in particular sectors.<sup>212</sup> The Productivity Commission also considered that the ongoing education and awareness campaigns had proven effective and recognition and acceptance of EPRs had improved and further education and awareness would promote awareness that royalties were necessary to fund further breeding.<sup>213</sup> There were no recommendations about these matters.<sup>214</sup>

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<sup>208</sup> Ibid., pp. 429-430.

<sup>209</sup> Ibid., p. 428.

<sup>210</sup> See Australian Government Response – Enforcement, above n. 166, [1].

<sup>211</sup> See ACIP – Review of Enforcement, above n. 14, pp. 40-42.

<sup>212</sup> Ibid., p. 428.

<sup>213</sup> Productivity Commission – Intellectual Property Arrangements, above n. 14, pp. 428-429.

<sup>214</sup> See *ibid.*, p. 423; Productivity Commission, *Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements* (2017) p. 16 available at <<https://www.pc.gov.au/inquiries/completed/intellectual-property/intellectual-property-government-response.pdf>>.

### Part 3: Review of relevant prior academic and trade literature

Recall that it was UPOV 1991 that first introduced protections for the products of ‘propagating material’ through the limited protections for ‘harvested material’ and the products of ‘harvested material’.<sup>215</sup> Despite a strong industry presence arguing for strong plant use protections, including the earlier UPOV 1972<sup>216</sup> and UPOV 1978 negotiations, UPOV 1991 did not delivered to their satisfaction.<sup>217</sup> There was leading into the UPOV 1991 negotiations, however, a much stronger presentation in the academic and trade literature about the industry desires for more and stronger protections.<sup>218</sup> Following the agreement of UPOV 1991 the majority of academic and trade commentary has been about the scope of commitments<sup>219</sup> and implementation of the agreement in national laws including as examples Africa,<sup>220</sup> Asia,<sup>221</sup> Chile,<sup>222</sup> Kenya,<sup>223</sup> China,<sup>224</sup> India,<sup>225</sup> and so on.<sup>226</sup> The other main focus has been a critique of UPOV 1991 as an appropriate form of intellectual property in developing

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<sup>215</sup> UPOV 1991, Arts. 14(2) and (3). See also Rolf Jördens and Peter Button, ‘Effective System of Plant Variety Protection in Responding to Challenges of a Changing World: UPOV Perspective’ (2011) 16 *Journal of Intellectual Property Rights* 74, 76.

<sup>216</sup> *International Convention for the Protection of New Varieties of Plants* done at Geneva on of 2 December 1961 and revised 10 November 1972 (UPOV 1972).

<sup>217</sup> See Jay Sanderson, ‘Towards (Limited) Cascading Right: What is the Appropriate Scope of Protection for Plant Breeding?’ (2011) 34 *University of New South Wales Law Journal* 1104, 1107-1111.

<sup>218</sup> See, for example, Barry Greengrass, ‘UPOV and the Protection of Plant Breeders Past Developments, Future Perspectives’ (1989) 20 *International Review of Industrial Property and Copyright Law* 622; Joseph Straus, ‘Protection of Inventions in Plants’ (1989) 20 *International Review of Industrial Property and Copyright Law* 619; Joseph Straus, ‘The Relationship between Plant Variety Protection and Patent Protection for Biotechnological Inventions from an International Viewpoint’ (1987) 18 *International Review of Industrial Property and Copyright Law* 723; Bernhard Roth, ‘Current Problems in the Protection of Inventions in the Field of Plant Biotechnology: A Position Paper’ (1987) 18 *International Review of Industrial Property and Copyright Law* 41.

<sup>219</sup> See, for example, Jördens and Button, above n. 215; Rolf Jördens, ‘Progress of Plant Variety Protection Based on the International Convention for the Protection of New Varieties of Plants (UPOV Convention)’ (2005) 27 *World Patent Information* 232; Graham Dufield, *The Role of the International Union for the Protection of New Varieties of Plants (UPOV)*, Intellectual Property Issue Paper 9 (Quaker United Nations Office, 2011); Matthew Kennedy, ‘Export Restrictions in Plant Breeder’s Rights’ (2017) 20 *Journal of International Economic Law* 883; and so on.

<sup>220</sup> See, for example, Hans Morten Haugen, ‘Inappropriate Processes and Unbalanced Outcomes: Plant Variety Protection in Africa Goes Beyond UPOV 1991 Requirements’ (2015) 18 *Journal of World Intellectual Property* 196; Bram De Jonge, ‘Plant Variety Protection in Sub-Saharan Africa: Balancing Commercial and Smallholder Farmers’ Interests’ (2014) 7 *Journal of Politics and Law* 100; Bram De Jonge, Niels Louwaars and Julian Kinderlerer, ‘A Solution to the Controversy on Plant Variety Protection in Africa’ (2015) 33 *Nature Biotechnology* 487; and so on.

<sup>221</sup> See, for example, David Jefferson, ‘Compliance with Resistance: How Asia can Adapt to the UPOV 1991 Model of Plant Breeders’ Rights’ (2020) 15 *Journal of Intellectual Property Law and Practice* 1012.

<sup>222</sup> See, for example, Viola Prifti, ‘An Answer to the Plant Variety Controversy in Chile’ (2016) 19 *Journal of World Intellectual Property* 178.

<sup>223</sup> See, for example, Peter Munyi, and Bram De Jonge, ‘Seed Systems Support in Kenya: Consideration for an Integrated Seed Sector Development Approach’ (2015) 8 *Journal of Sustainable Development* 161; Peter Munyi, ‘Plant Variety Protection Regime in Relation to Relevant International Obligations: Implications for Smallholder Farmers in Kenya’ (2015) 18 *Journal of World Intellectual Property* 65; and so on.

<sup>224</sup> See, for example, Lester Ross and Libin Zhang, ‘Agricultural Development and Intellectual Property Protection for Plant Varieties: China Joins the UPOV’ (1999) 17 *UCLA Pacific Basin Law Journal* 226.

<sup>225</sup> See, for example, Suman Sahai, ‘India’s Plant Variety Protection and Farmers’ Rights Act, 2001’ (2003) 84 *Current Science* 407.

<sup>226</sup> See also W. Lesser and M. Mutschler, ‘Balancing Investment Incentives and Social Benefits when Protecting Plant Varieties: Implementing Initial Variety Systems’ (2004) 44 *Crop Science* 1113.

countries<sup>227</sup> and as a suitable scheme to implement WTO TRIPS Agreement obligations to protect new plant varieties<sup>228</sup> in developing countries<sup>229</sup> and complying with other international obligations like the United Nations *Convention on Biological Diversity*.<sup>230</sup>

Another avenue of the literature is about the basic economic argument justifying variety rights in UPOV 1991 and that strong property rights are necessary to address the socially suboptimal level of research and development likely when property rights are not protected, with the property rights allowing firms to obtain short-run economic rents that then motivate efficient levels of research and development to deliver new and better plant varieties.<sup>231</sup> A specific concern after UPOV 1991 has been the industry concern that uses of protected plant materials like harvested materials and exemptions from protection through farmer privileges is undermining the incentives to breed new varieties.<sup>232</sup> This remains an ongoing debate and goes to the merits of expanded scope of plant variety rights. Recall that UPOV 1991 specifically expanded the scope of variety rights to include limited protections for ‘harvested material’ and the products of ‘harvested material’.<sup>233</sup> Significantly, however, UPOV 1991 also limited the extension of rights to ‘harvested material’ and the products of ‘harvested material’ with thresholds of ‘unauthorised use’ and ‘reasonable opportunity’,<sup>234</sup> and retained the farmer’s privilege to condition and reproduce farmer saved ‘propagating material’.<sup>235</sup> So, are these UPOV 1991 limits undermining the incentives to breed new varieties? The existing economic analysis suggests no, although it is not conclusive with nuances that apply in each

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<sup>227</sup> See, for example, Robert Tripp, Niels Louwaars and Derek Eaton, ‘Plant Variety Protection in Developing Countries: A Report from the Field’ (2007) 32 *Food Policy* 354.

<sup>228</sup> TRIPS Agreement, Art. 27.3(b).

<sup>229</sup> See, for examples, Mrinalini Kochupillai, ‘Is UPOV 1991 a Good Fit for Developing Countries?’ in Josef Drexler and Anselm Kamperman Sanders (eds.), *The Innovation Society and Intellectual Property* (Edward Elgar, 2019) pp. 25-58; Gerard Downes, ‘TRIPs and Food Security: Implications of the WTO’s TRIPs Agreement for Food Security in the Developing World’ (2004) 106 *British Food Journal* 366; Chidi Oguamanam, ‘Breeding Apples for Oranges: Africa’s Misplaced Priority over Plant Breeders’ Rights’ (2015) 18 *Journal of World Intellectual Property* 165; Anshu Pratap Singh, Padmavati Manchikanti and Hardeep Singh Chawla, ‘Sui Generis IPR Laws vis-à-vis Farmers’ Rights in Some Asian Countries: Implications under the WTO’ (2011) 16 *Journal of Intellectual Property Rights* 107; and so on.

<sup>230</sup> See, for examples, Charles Lawson, ‘The Breeder’s Exemption under UPOV 1991, the Convention on Biological Diversity and its Nagoya Protocol’ (2015) 10 *Journal of Intellectual Property Law and Practice* 526; Huib Ghijsen, ‘Intellectual Property Rights and Access Rules for Germplasm: Benefit or Straitjacket?’ (2009) 170 *Euphytica* 229; and so on.

<sup>231</sup> These are the standard authorities for what is now a well-rehearsed justification for intellectual property: see, for examples, Glenn Loury, ‘Market Structure and Innovation’ (1979) 93 *Quarterly Journal of Economics* 395; Kenneth Arrow, ‘Economic Welfare and the Allocation of Resources for Invention’ in Universities-National Bureau Committee for Economic Research, Committee on Economic Growth of the Social Science Research Council (eds.), *The Rate and Direction of Inventive Activity: Economic and Social Factors* (Princeton University Press, 1962) pp. 609-626. For examples about plant variety rights, see L. Butler and B. Marion, *The Impacts of Patent Protection on the U.S. Seed Industry and Public Plant Breeding*, Monograph 16 (University of Wisconsin, 1985); R. Perrin, K. Kunnings and L. Ihnen, *Some Effects of the U.S. Plant Variety Protection Act of 1970*, Department of Economics and Business Economics Research Report No. 46 (North Carolina State University, 1983).

<sup>232</sup> For a summary see Adrien Hervouet and Corinne Langinier, ‘Plant Breeders’ Rights, Patents, and Incentives to Innovate’ (2018) 43 *Journal of Agricultural and Resource Economics* 118, 118-120 and the references therein.

<sup>233</sup> UPOV 1991, Arts. 14.2 and 14.3.

<sup>234</sup> UPOV 1991, Arts. 14.2 and 14.3.

<sup>235</sup> UPOV 1991, Art. 15.2.

industry sector and for each plant grouping.<sup>236</sup> For example, a framework developed and applied to the soybean industry in the United States showed:

[Seed] firms appear to capture the economic rents associated with use of farmer-produced or bin-run seed. These results show that no additional property right protection is needed, at least in the soybean industry, where indirect appropriation is important as approximately 30 percent of the soybean acres are seeded with bin-run seed.<sup>237</sup>

More recent analysis suggests that these remain active and unresolved questions.<sup>238</sup> Recent empirical analysis shows, however, that there is starting to be a more detailed engagement with the expectation that a more nuanced understanding is possible.<sup>239</sup> One of the key issues, especially following the decision in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* that distinguished the relevant applicable European Union laws based on the reproductive nature of varieties,<sup>240</sup> is the distinction between ‘propagating material’ and ‘harvested material’.<sup>241</sup> There is also clear recognition that the European laws are using the uncertain terminology ‘variety constituents’ (see Attachment 1) and ‘harvested material’ and this is inconsistent.<sup>242</sup>

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<sup>236</sup> See, for examples, Adrien Hervouet and Corinne Langinier, ‘Plant Breeders’ Rights, Patents, and Incentives to Innovate’ (2018) 43 *Journal of Agricultural and Resource Economics* 118, 119-121; Enrico Bertacchini, ‘Coase, Pigou and the Potato: Whither farmers’ Rights?’ (2008) 68 *Ecological Economics* 183, 190-191; G. Moschini and O. Yerokhin, ‘The Economic Incentive to Innovate in Plants: Patents and Plant Breeders’ Rights’ in Jay Kesan (ed.), *Agricultural Biotechnology and Intellectual Property: Seeds of Change* (CAB International, 2007) pp. 192-195; LeRoy Hansen and Mary Knudson, ‘Property Right Protection of Reproducible Genetic Material’ (1996) 18 *Review of Agricultural Economics* 403, 412; and so on.

<sup>237</sup> LeRoy Hansen and Mary Knudson, ‘Property Right Protection of Reproducible Genetic Material’ (1996) 18 *Review of Agricultural Economics* 403, 411-412.

<sup>238</sup> See, for example, Stephen Smith, ‘The Foundations, Continuing Evolution, and Outcomes from the Application of Intellectual Property Protection in Plant Breeding and Agriculture’ in Irwin Goldman (ed.), *Plant Breeding Reviews*, Volume 43 (John Wiley & Sons, 2020) pp. 121-213.

<sup>239</sup> See, for example, Eduardo de Souza Silva, Crislaine Costa Calazans, Valdinete Vieira Nunes and Renata Silva-Mann, ‘Estimative of Royalties: Appropriation of Gains Provided by Innovations Associated with Plant Breeding’ (2021) 10(13) *Research, Society and Development* e513101321497-e513101321497; Ting Meng, Richard Carew and Wojciech Florkowski, ‘Determinants of the Grant Lag and the Surrender Lag of Horticultural Crop Plant Breeders’ Rights Applications: Survival Analysis with Competing Risks’ (2020) 68 *Canadian Journal of Agricultural Economics* 489; Lawson and Cecil, above n. 13; and so on.

<sup>240</sup> See *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33.

<sup>241</sup> See, for example, Crespo Velasco, above n. 154, 979.

<sup>242</sup> See Gert Würtenberger, P. van der Kooij, Bart Kiewiet and Martin Ekvad, *European Union Plant Variety Protection* (Oxford University Press, 2021) §6.12. See, for examples, Crespo Velasco, *ibid.*, 978-981; Philippe de Jong, ‘The Protection of Vines, Grapes and Wine under Plant Variety Rights Law, with a Particular Focus on the EU’ in Julien Chaisse, Fernando Dias Simões and Danny Friedmann (eds.), *Wine Law and Policy: From National Terroirs to a Global Market* (Brill, 2020) pp. 502-504; Adrián Crespo Velasco, ‘Plant Variety Rights: Referrals to the CJEU Stir Up Questions with Far-reaching Consequences’ (2019) 14 *Journal of Intellectual Property Law and Practice* 197, 201-202.



## Part 4: Review of any empirical materials

The IP Australia Policy Register raised the issue of PBRs and ‘harvested material’:

In its 2010 review of Plant Breeder’s Rights (PBR) Enforcement, the former Advisory Council on Intellectual Property (ACIP) recommended that the Plant Breeder’s Rights Act be amended to clarify that harvested material that is also propagating material is to be considered as propagating material for the purposes of [s] 11 of the Plant Breeder’s Rights Act, even if it is not being used for that purpose.

The government accepted ACIP’s recommendation in June 2011, noting that this would ensure that Plant Breeder’s Rights owners could require royalties on harvested grain under s. 11 rather than rely on private contracts or extended rights, which ACIP had some concerns about. This would also ensure that the definition of harvested material in the Plant Breeder’s Rights Act is consistent with the Federal Court’s decision in *Cultivaust Pty Limited v Grain Pool Pty Limited* [2005] FCAFC 223.<sup>243</sup>

As a summary, the responses to this have been that the plant breeding industry are confused and muddled about the differences between ‘propagating material’ and ‘harvested material’. The actual details of that confusion are not certain.

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<sup>243</sup> IP Australia Policy Register, *Clarify Definition in the Plant Breeder’s Rights Act of Propagating Material to Include Material Capable of Propagating, Even When Not Being Used for that Purpose*, Policy ID: 51 (IP Australia, 2022) at <<https://www.ipaustralia.gov.au/policy-register/clarify-definition-pbr-act-propagating-material-include-material-capable-propagating>>.

## Part 5: Analysis of the policy issue

The ‘harvested material’ provisions in the *Plant Breeder’s Rights Act 1994* (Cth) raises specific policy issues that are addressed here.

### 5.1 What is ‘harvested material’?

UPOV 1991 does not define ‘harvested material’. Instead, the term is used to extend the plant variety rights beyond ‘propagating material’<sup>244</sup> where ‘harvested material [is] obtained through the unauthorized use of propagating material’ and ‘the breeder has not had reasonable opportunity to exercise his right in relation to the said propagating material’.<sup>245</sup> The protected acts for dealing with ‘propagating material’ that require the breeder’s authorisation are the ‘use of propagating material’<sup>246</sup> that are the ‘acts in respect of the propagating material of the protected variety ... [that] require the authorisation of the breeder’<sup>247</sup> and that will include ‘production or reproduction (multiplication)’ of the propagating material.<sup>248</sup> A detailed analysis of the negotiation of UPOV 1991 reveals the important policy justification for including ‘harvested material’ that had not been addressed in UPOV 1978. And importantly, that extending variety rights to ‘harvested material’ was one of the core provisions intended to strengthen the position of breeders in UPOV 1991.<sup>249</sup> The outcome was, at least from the industry perspective, ‘to reinforce the rights of the breeder and to give him protection equivalent to that under a product patent’ over ‘marketed products’.<sup>250</sup> This was not, however, the outcome with the final text extending to ‘harvested material’ *only if* dealings with the ‘propagating material’ from which the ‘harvested material’ was obtained satisfied the thresholds of ‘unauthorized use’ (see §5.2) and ‘reasonable opportunity’ (see §5.3). The question is what is ‘harvested material’? There are two parts to this: (1) what is ‘harvested material’; and (2) is there a distinction between ‘harvested material’ and ‘propagating material’ where the ‘harvested material’ is also ‘propagating material’ (such as harvested barley seeds in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*)?<sup>251</sup>

The starting point for this review is the UPOV 1972 Diplomatic Conference where there was uncertainty about whether protections should focus on ‘propagating material’ or the products obtained from ‘propagating material’.<sup>252</sup> In the end protection was primarily directed to ‘propagating material’, and ‘harvested material’ was not covered because this material was a component of the food supply and the imperative at that time was that this should not be restricted by mandatory variety rights covering the harvests, even though ‘it was difficult for the breeder to be properly rewarded in the absence of some such right’.<sup>253</sup>

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<sup>244</sup> UPOV 1991, Art. 14.1. Noting the *Sanhong Honeyed Pomelo case* in China that ‘specified three biological features of propagating material of a granted plant variety ... being a living part, with the capacity of reproduction, and the new plant reproduced therefrom having the same traits as those of the granted variety’: Yufeng Ding and Junling Zhao, ‘The Development of PVP in China: Challenges and Trends’ (2022) 17 *Journal of Intellectual Property Law and Practice* 97, 102.

<sup>245</sup> UPOV 1991, Art. 14.2. See also UPOV Publication No. 346(E), above n. 48, [1529.4].

<sup>246</sup> UPOV 1991, Art. 14.2.

<sup>247</sup> UPOV 1991, Art. 14.1(a). See also UPOV Publication No. 346(E), above n. 48, [1531] and [1545]-[1547].

<sup>248</sup> UPOV 1991, Art. 14.1(a)(i). See also UPOV Publication No. 346(E), *ibid.*, [1852.4].

<sup>249</sup> See, for example, *ibid.*, [893] and [914].

<sup>250</sup> *Ibid.*, p. 404 ([1534.4]).

<sup>251</sup> (2004) 62 IPR 11, [193] (Mansfield J).

<sup>252</sup> See Sanderson, ‘above n. 217, 1107-1108.

<sup>253</sup> Max Thiele-Wittig and Paul Claus, ‘Plant Variety Protection – A Fascinating Subject’ (2003) 25 *World Patent Information* 243, 245.

There was, however, an apparent distinct carve out for products such as ornamental plants or cut flowers, with the final text adopted being:

The effect of the right granted to the breeder of a new plant variety or his successor in title is that his prior authorization shall be required for the production, for purposes of commercial marketing, of the reproductive or vegetative propagating material, as such, of the new variety, and for the offering for sale or marketing of such material. Vegetative propagating material shall be deemed to include whole plants. The breeder's right shall extend to ornamental plants or parts thereof normally marketed for purposes other than propagation when they are used commercially as propagating material in the production of ornamental plants or cut flowers.<sup>254</sup>

By the UPOV 1978 Diplomatic Conference there remained concerns that the failure to provide a comprehensive right for the products of 'propagating material' was undermining the clarity and scope of the variety rights.<sup>255</sup> The apparent UPOV 1972 carve out for products such as ornamental plants or cut flowers had actually 'protected only propagation from the reproductive parts found on the plants or on the cut flowers' when what was actually required 'to enable the breeder to exercise his minimum right normally, it was necessary to protect the plants and the cut flowers themselves'.<sup>256</sup> '[O]rnamental plants, such as chrysanthemums, carnations and glasshouse roses' illustrated this concern because the 'breeder of varieties of such species exploited or licensed not the right to reproduce propagating material but the right to produce and sell cut flowers' and 'furthermore, that trade in cut flowers was international and was becoming increasingly so'.<sup>257</sup> The tenor of concern was that UPOV 1978 needed to reflect the commercial realities and technological developments that required a specific treatment of 'harvested material' and the need to extend the right to vegetatively produced and reproduced plants and plant parts<sup>258</sup> which were normally marketed for purposes other than propagation.<sup>259</sup> The quintessential example, and here it is set out in detail as this example continues to revisit UPOV's imagination:<sup>260</sup>

a fruit tree and fruit grower with a large orchard, wishing to grow a certain variety which was protected in that country, could ask the breeder for a licence, pay a royalty on each tree propagated in his orchard and then receive a licence to produce and sell fruit. Royalties, of course, would be payable only on the propagation of the trees. The grower could then sell the fruit he produced. The legal and economic relationship between the breeder and the licensed grower consisted, for the breeder, in the hiring out of his right, and for the grower, in the obligation to pay royalties. Mr. Royon stressed that the breeder was obliged to guarantee the peaceful enjoyment of the licence. When the licensed grower took the fruit to market he found himself competing against fruit of the same variety produced by growers in countries where protection did not exist. It was accepted that the breeder could not control the use of his variety in such countries, but it was not acceptable that the breeder should see fruit of his protected variety sold

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<sup>254</sup> UPOV 1972, Art. 5.1.

<sup>255</sup> See, for example, UPOV Publication No. 337(E), above n. 48, pp. 144-146 ([253]-[263.2]).

<sup>256</sup> *Ibid.*, p. 145 ([255.1]).

<sup>257</sup> *Ibid.*, p. 145 ([255.1]).

<sup>258</sup> Noting a further complexity that some UPOV members distinguished between 'sexually reproduced or vegetatively propagated', and that in French translation, but not in English, "reproduction", when sexual reproduction was involved, which meant that seeds were the only propagating material; "multiplication vegetative", when cuttings, grafts or whole plants formed the propagating material; and "multiplication" with no adjective, which had a much wider meaning, encompassing everything which made it possible to propagate a variety': *ibid.*, p. 146 ([265]-[266]).

<sup>259</sup> See, for example, *ibid.*, p. 90 ('The right of the breeder of vegetatively reproduced ornamental plants shall extend to plants or parts thereof which are normally marketed for purposes other than propagation').

<sup>260</sup> See, for example, International Union for the Protection of New Varieties of Plants, *Information and Proposals from Japan in Response to UPOV Circular E-21/228 (2022) WG-HRV/1/PROPOSALS/JP*.

under his very nose in the country in which he had been granted a title of protection. On the one hand his variety, which was intended for fruit production, was being commercially exploited and, on the other hand, he could not guarantee his licensees the peaceful enjoyment of their licence. In those circumstances the grower could tell himself that he was stupid to be honest and to accept to pay royalties, that he would no longer ask the breeder for a licence, that he would buy trees of the said variety from a country where there was no protection, plant them in his orchard and sell the fruit produced. In that case the grower had not propagated but simply purchased plants. He sold only the fruit, being the final product, which was not covered by [UPOV 1972] in its present form.<sup>261</sup>

Despite these concerns, the delegates were reluctant to protect the products of ‘propagating material’ because they were wanting to make joining UPOV 1978 appealing to more countries<sup>262</sup> and that such an extension might ‘compromise ratification of the revised text or accession to it’.<sup>263</sup> The text finally adopted in UPOV 1978 was:

The effect of the right granted to the breeder is that his prior authorisation shall be required for:

- the production for purposes of commercial marketing
- the offering for sale
- the marketing

of the reproductive or vegetative propagating material, as such, of the variety.

Vegetative propagating material shall be deemed to include whole plants. The right of the breeder shall extend to ornamental plants or parts thereof normally marketed for purposes other than propagation when they are used commercially as propagating material in the production of ornamental plants or cut flowers.<sup>264</sup>

The UPOV 1991 Diplomatic Conference considered ‘harvested material’ in the context of novelty,<sup>265</sup> extension of variety rights<sup>266</sup> and exhaustion.<sup>267</sup> The particular focus of concern was about, in the words of an industry group:

the protection afforded under the UPOV Convention should extend to new products created and marketed by the breeder. However, in the case of ornamental varieties intended for the production of cut flowers and of fruit tree varieties, the new product was not the propagating material, but the cut flower or the fruit. That was why, in the same way as a patent for a product protected the manufacture, placing on the market and use of the product covered by the patent, the breeder’s right should enable a breeder to exercise his right with respect to those who, as industrial horticulturists, exploited for commercial purposes the new product constituted by such cut flower or fruit.<sup>268</sup>

Unlike UPOV 1972 and UPOV 1978, UPOV 1991 did implement a provision addressing ‘harvested material’, although again short of the expectations of industry.<sup>269</sup> At the time of the UPOV 1991 Diplomatic Conference there were opinions expressed about the difficulty distinguishing between ‘propagating material’ and ‘harvested material’.<sup>270</sup> The discussion was based around a basic text that had been prepared by the Administrative and Legal Committee

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<sup>261</sup> UPOV Publication No. 337(E), above n. 48, p. 148 ([289.3]).

<sup>262</sup> Although there were other objections too: see *ibid.*, pp. 177 ([873]; anti-trust laws), 149-150 ([292]; incompatible with existing domestic laws), and so on.

<sup>263</sup> *Ibid.*, p. 90.

<sup>264</sup> UPOV 1978, Art. 5.1.

<sup>265</sup> UPOV Publication No. 346(E), above n. 48, pp. 228-241 ([339]-[424]) and 455 [1852.2(iv)].

<sup>266</sup> *Ibid.*, pp. 311-321 [893]-[954], 403-406 [1529.4]-[1549] and 455 [1852.4(ii)].

<sup>267</sup> *Ibid.*, pp. 420-429 ([1637]-[1683]), 456 ([1852.5]) and 471-472 ([1941]-[1945]).

<sup>268</sup> *Ibid.*, p. 404 ([1534.2]).

<sup>269</sup> See, for example, *ibid.*, p. 404 ([1534.2]).

<sup>270</sup> See, for example, *ibid.*, [805].

and submitted as the basis for discussions.<sup>271</sup> Like the previous negotiation the industry focus was framed around the cut flower and fruit tree industry sectors, although the solution was presented as a general extension applying to all plant varieties.<sup>272</sup> The negotiators also rejected the extension being optional deciding that it must be mandatory,<sup>273</sup> and rather than breeder's choosing when to exercise their rights there should be a 'cascading principle' with the breeder exercising their rights 'at the earliest possible stage'.<sup>274</sup> The effect of this was that the main focus was on exercising rights over the 'propagating material', and failing that then cascading conditional protections to the 'harvested material' and products of 'harvested material'.<sup>275</sup> And finally, the negotiators considered that all the protected acts that applied to 'propagating material' should also apply to 'harvested material' and products of 'harvested material'.<sup>276</sup>

There was discussion about dealing with 'harvested material' that was also 'propagating material', although the examples considered suggest that it was the harvest that was the focus rather than the potential of the material for further production or reproduction, such as cut flower or the fruit.<sup>277</sup> Importantly, however, the Working Group on Article 14(1)(a) and (b) agreed that 'this was an issue which would need to be dealt with in Article 16 [exhaustion]'.<sup>278</sup> There an amendment was proposed to distinguish between uses of the 'harvested material' that was also 'propagating material' for 'purpose other than consumption'.<sup>279</sup> The discussions illustrate the proposition and treatment in UPOV 1991:

if reproductive material was sold to a purchaser, whereby of course a royalty was collected, and if the purchaser multiplied one rose bush up into one thousand for the purpose of producing cut flowers, it could be argued that the exhaustion of the right took place on the one rose bush in the first instance. The explanation of the position of the Delegation of Denmark, as given to the Working Group, was that this was unfair: had the breeder known when he sold the rose bush that it was to be used to produce a thousand rose bushes to produce cut flowers, he would not have agreed to the sale in that form. The Delegation of Denmark was seeking to redress that injustice if it were to occur.<sup>280</sup>

This concern was accepted by the various negotiators<sup>281</sup> but eventually not supported because the proposed amendment included the uncertain term 'consumption', and that the problem was already addressed in the current text.<sup>282</sup> The details are illustrative:

When somebody bought some apple trees from a retailer and reproduced them, then the reproduction was an act under Article 14(1)(a) which was an infringement of the breeder's right. Pursuant to the text under consideration on the exhaustion of the breeder's right, there was indeed a sale of apple trees; but, notwithstanding the fact that the original sale involved an act that exhausted the right, there was a further propagation of the variety and the breeder's right in relation to that further propagation was not

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<sup>271</sup> See Administrative and Legal Committee, *Report* (1990) UPOV/CAJ/28/6.

<sup>272</sup> UPOV Publication No. 346(E), above n. 48, p. 145 ([7]).

<sup>273</sup> *Ibid.*, pp. 312-314 ([389]-[902], [904.1] and [905]-[913]).

<sup>274</sup> *Ibid.*, pp. 314-315 ([916]).

<sup>275</sup> *Ibid.*, pp. 314-317 ([916]-[934]).

<sup>276</sup> *Ibid.*, pp. 317-318 ([935]-[941]).

<sup>277</sup> See, for example, *ibid.*, pp. 145-146 ([14]) and 320 ([950.2]).

<sup>278</sup> *Ibid.*, p. 146 ([14]).

<sup>279</sup> *Ibid.*, pp. 141 (Denmark, DC/91/109) and 421 ([1646.1]-[1646.2]).

<sup>280</sup> *Ibid.*, p. 422 ([1652]).

<sup>281</sup> See, for example, *ibid.*, pp. 422-423 ([1652], France; [1653], Netherlands).

<sup>282</sup> *Ibid.*, p. 425 ([1665]-[1666]).

exhausted. The text in the Basic Proposal was thus perfectly satisfactory and enabled the breeder to assert his rights without the addition that was proposed.<sup>283</sup>

In summary, the UPOV 1991 negotiators accepted that where ‘harvested material’ that was also ‘propagating material’ was itself further propagated, that did not exhaust the variety rights in the ‘harvested material’ that was also ‘propagating material’ – in other words, while the fruit of a protected apple trees was both ‘harvested material’ and ‘propagating material’, the variety right on the fruit was not exhausted by the sale of the apple trees.<sup>284</sup> Prescient of the decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*,<sup>285</sup> although in the context of an amendment addressing exhaustion on ‘consumption’, a bright line distinction between ‘harvested material’ that was also ‘propagating material’ remains elusive:

somebody who bought seed of a barley variety, for example, would buy it for the purpose of producing seed. There would be a full cycle of seed production. If the new seed was intended for malt and beer production, and if the beer had been drunk, there would, in the opinion of his Delegation, be ‘consumption’ and the breeder’s right would be exhausted. But if the seed was reused commercially, there would be two possibilities: either it was used on a farmer’s own premises, and the act of use would be covered by Article 15(2) (the so-called ‘farmer’s privilege’), or it would fall under Article 14(1)(a), ‘production or reproduction’ of new seed.<sup>286</sup>

Recalling the two parts to ‘harvested material’: (1) what is ‘harvested material’?; and (2) is there a distinction between ‘harvested material’ and ‘propagating material’ where the ‘harvested material’ is also ‘propagating material’? For the first question, UPOV 1991 materials show that ‘harvested material’ is the plant material, whether whole plant or part of the plant, that is obtained from using ‘propagating material’.<sup>287</sup> The second question is more complicated. The review of the negotiating records shows that the negotiators were well aware of the issue and that the matter was made clear by exhaustion of ‘harvested material’ obtained from using ‘propagating material’, but not where that ‘harvested material’ was further propagated where the ‘propagating material’ was ‘harvested material’ and used as ‘propagating material’.<sup>288</sup> How this was to be finally resolved, however, was uncertain. As this distinction illustrated by another example shows, albeit presented by an industry grouping wanting more extensive variety rights over products:

a professional florist who would buy rose bushes from a wholesaler selling plants for amateur gardening, to exploit them for the sale of cut flowers ... this was clearly a form of exploitation of the variety which the breeder had not permitted when he had granted a license to propagate his variety as garden plants.

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<sup>283</sup> Ibid., pp. 424-425 ([1662]). Other examples include: ‘when any material, whether it was put on the market as propagating material or not, was used in such a manner as to involve further propagation of the variety, the breeder’s right did not exhaust’: [1675.2]; ‘The act of using that celery seed that was put on the market as a spice to grow celery was covered by the right’: [1675.3]; ‘the case of somebody who bought grain or soya beans sold for consumption and used them for growing a harvest for sale. In that case, there was no propagation, the process of producing a plant from a seed not being propagation. That case was not covered by [exhaustion]’: [1677]; and so on.

<sup>284</sup> See, for example, *ibid.*, p. 427 ([1675.2]).

<sup>285</sup> (2004) 62 IPR 11 (Mansfield J).

<sup>286</sup> UPOV Publication No. 346(E), above n. 48, pp. 428-429 ([1681.3]). Notably this was a UPOV member (Norway) and not an industry participant.

<sup>287</sup> UPOV 1991, Art. 14.2. See also International Union for the Protection of New Varieties of Plants, *Guidance for the Preparation of Laws Based on the 1991 Act of the UPOV Convention* (2017) UPOV/INF/6/5, p. 56 ([2]-[3]); UPOV/EXN/HRV/1, above n. 28, p. 4 ([2]-[3]).

<sup>288</sup> See, for example, UPOV Publication No. 346(E), above n. 48, p. 427 ([1675.2]).

In that case the breeder had not received an adequate remuneration, and his right should not be exhausted.<sup>289</sup>

In this example, the rose bushes are not used as ‘propagating material’ while they are ‘harvested material’ and could be ‘propagating material’ in some uses. In short, whether ‘harvested material’ that is also ‘propagating material’ should be considered ‘propagating material’ was not finally resolved.<sup>290</sup> And it matters because the cascading of rights for ‘harvested material’ is fundamentally limited by the thresholds of authorisation and a ‘reasonable opportunity’ before the variety rights are deemed to apply that does not apply to ‘propagating material’ *per se*.

Turning now to the *Plant Breeder’s Rights Act 1994* (Cth). The *Plant Breeder’s Rights Act 1994* (Cth) does not define ‘harvested material’. The term appears in the context of the ‘exclusive rights’ cascading from ‘propagating material’ to include ‘harvested material’<sup>291</sup> and the products of ‘harvested material’.<sup>292</sup> The further complication, carried over from the uncertainty in UPOV 1991, is that materials harvested from using the ‘propagating material’, as in the yield or ripe crop from the growing out ‘propagating material’,<sup>293</sup> can also themselves be ‘propagating material’ for the purposes of the *Plant Breeder’s Rights Act 1994* (Cth). This is because the term ‘propagating material’ is very broadly defined as ‘any part or product from which, whether alone or in combination with other parts or products of that plant, another plant with the same essential characteristics can be produced’,<sup>294</sup> and ‘propagation’ means ‘the growth, culture or multiplication of that organism or component, whether by sexual or asexual means’.<sup>295</sup> As examples, grains harvested from a wheat variety will be both ‘harvested material’ because the seeds (grain) are the yield from growing the variety and ‘propagating material’ because another plant with the same essential characteristics can be grown or multiplied from that harvested grain.<sup>296</sup> Similarly, an apple harvested from an apple tree will be both ‘harvested material’ because the apples are the yield from growing the variety and ‘propagating material’ because another plant with the same essential characteristics can be cultured or multiplied from that apple, although not from the seeds as they cannot be used to produce plants with the same essential characteristics.<sup>297</sup>

In *Cultivaust Pty Ltd v Grain Pool Pty Ltd* the dispute was about a variety of barley that could be grown or reproduced from seeds (or grain) that was both ‘propagating material’ and ‘harvested material’.<sup>298</sup> There the State of Tasmania and Cultivaust sold seeds of the PBR’ed variety to growers (G0) who saved them to grow again, and in subsequent generations the harvested seeds were delivered to Grain Pool (G1+)<sup>299</sup> for the purpose of sale for making malt

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<sup>289</sup> *Ibid.*, pp. 428 ([1680.2]).

<sup>290</sup> Noting that UPOV accepts that ‘harvested material’ can also be ‘propagating material’: UPOV/INF/6/5, above n. 287, p. 56 ([3]). But UPOV explanatory notes do not clarify the distinction: see UPOV/EXN/HRV/1, above n. 28, [2]-[3]; UPOV/EXN/PPM/1, above n. 30, p. 3.

<sup>291</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1).

<sup>292</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>293</sup> Angus Stevenson (ed.), *Oxford Dictionary of English* (Oxford University Press, 2010) (‘harvest’).

<sup>294</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1) (‘propagating material’).

<sup>295</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1) (‘propagation’).

<sup>296</sup> The progeny must have the same essential characteristics: see Ding and Zhao, above n. 244, 102.

<sup>297</sup> See Württenberger *et al.*, above n. 242, §6.11.

<sup>298</sup> (2004) 62 IPR 11, [193] (Mansfield J).

<sup>299</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [2]-[8] (Mansfield J).

and animal feed (so not reproduction).<sup>300</sup> The State of Tasmania and Cultivaust alleged PBR infringement by Grain Pool through its storing the grain for the purpose of offering for sale, selling and exporting.<sup>301</sup> In addressing this claim under the *Plant Breeder's Rights Act 1994* (Cth), Justice Mansfield characterised the barley seeds (or grain) as:

'propagating material' within the meaning of s. 11 of the [*Plant Breeder's Rights Act 1994* (Cth)], except in so far as it is harvested material within s. 14 of the [*Plant Breeder's Rights Act 1994* (Cth)] or in so far as it is a product made from harvested material within s. 15 of the [*Plant Breeder's Rights Act 1994* (Cth)], in which case it is to be treated as if it is propagating material for the operation of s. 11.<sup>302</sup>

Unfortunately, Justice Mansfield's characterisation 'in which case it [the 'harvested material'] is to be *treated* as if it is propagating material' (emphasis added) was unclear: was this 'harvested material' deemed to be 'propagating material', or was this 'harvested material' considered to be 'propagating material' *per se*?<sup>303</sup> In applying this characterisation to the particular circumstances of this dispute, Justice Mansfield considered that the original seeds supplied by the State of Tasmania and Cultivaust was 'propagating material' for the purposes of the *Plant Breeder's Rights Act 1994* (Cth) (G0).<sup>304</sup> He then considered the relevant statutory definitions and their relationships:

'Propagating material' is defined to refer to a particular plant with reproductive capacity. It is not defined generically, so as to refer to all plants with reproductive capacity as being some form of collective propagating material. Its emphasis is upon the reproductive unit from which another essentially similar unit can be produced. That is consistent with the definition of 'propagation' as referring to the process by which a plant grows or multiplies. It also is consistent with the definition of 'reproduction', as referring to the process by which particular propagating material, that is, a plant capable of reproduction, is able to generate multiple individual plants capable of reproduction.<sup>305</sup>

Applying this to the second and subsequent generations (G1+) he characterised the yield (harvest) (G1+) from the original materials (G0) as 'harvested material' for the purposes of the *Plant Breeder's Rights Act 1994* (Cth):

Section 14(1) deals with the status of crops grown from farm-saved seed, if that crop is itself propagating material. The harvest from farm-saved seed, except for further farm-saved seed, is to be *treated* as if it were propagating material to which s. 11 operates, that is it is propagating material the subject of PBR (emphasis added).<sup>306</sup>

Justice Mansfield then went on to resolve the infringement claims against Grain Pool as if the yield (harvest) (G1+) from the original materials (G0) was 'harvested material' addressing the relevant thresholds for 'harvested material' to be deemed 'propagating material'.<sup>307</sup> Despite expressly acknowledging that in this case the yield (harvest) (G1+) from the original materials

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<sup>300</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [149] and [179] (Mansfield J).

<sup>301</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [7] (Mansfield J).

<sup>302</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [55] (Mansfield J).

<sup>303</sup> See also *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [168], [188] and [190] (Mansfield J). But see ACIP who considered Justice Mansfield dealing with barley seed was that it was both: 'Justice Mansfield stated that it ['harvested material'] is ['propagating material']': ACIP – Review of Enforcement, above n. 14, p. 31.

<sup>304</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [167] and [184] (Mansfield J).

<sup>305</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [183] (Mansfield J).

<sup>306</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [188] (Mansfield J).

<sup>307</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).



(G0) were 'propagating material'<sup>308</sup> and submissions about the likely difficulties tracking and tracing 'propagating material' that was mixed original (G0) and later generations (G1+),<sup>309</sup> Justice Mansfield maintained the characterisation that the yield (harvest) (G1+) from the original materials (G0) irrespective of it also being 'propagating material'.<sup>310</sup>

On appeal to the Full Federal Court, Justices Finn, Emmett and Bennett appear to have characterised the statutory scheme in the same way as Justice Mansfield:

the effect of ss. 14 and 17 is that a person engaged in farming activities (a farmer), who legitimately obtains propagating material by purchase, may harvest further propagating material from plants grown from the propagating material so purchased and may condition that further propagating material for the farmer's use for reproductive purposes and may reproduce that further propagating material. The farmer may do those same acts in relation to a third generation of propagating material harvested from that second generation of propagating material. The farmer will not infringe PBR by doing so. Section 14(1) will not apply to the harvested material that consisted of propagating material used for those purposes. However, s. 14(1) will apply to all other material harvested from any of that propagating material.<sup>311</sup>

The issue on appeal, however, was about the then exception under the *Plant Breeder's Rights Act 1994* (Cth) for 'the use of that propagating material ... as a food, food ingredient or fuel'.<sup>312</sup> The justices characterised that exception as 'predicated on there being an act referred to in s. 11 in relation to propagating material of a plant variety in respect of which PBR subsists'<sup>313</sup> that was satisfied because the 'acts complained of by [the State of Tasmania] and Cultivaust are acts referred to in s. 11 that were done in relation to the propagating material of plants of the Franklin barley variety'.<sup>314</sup> The justices then addressed the Cultivaust argument that the exception only applied to 'propagating material' and not the separately deeming provisions about 'harvested material' and the products of 'harvested material'.<sup>315</sup> This was rejected:

Harvested material is assumed, by s. 14, not to be propagating material otherwise the deeming effect of s. 14 would be unnecessary. That is to say, harvested material is not limited to the reproductive part of a plant. Once Franklin barley is harvested, it is to be treated no longer as propagating material, but as harvested material. Notwithstanding that, having regard to the nature of grains, the harvested material is in fact propagating material, the policy evinced by s. 14 is to treat harvested material as being something different from propagating material. Once the harvested Franklin barley is treated as harvested material, assumed by definition not to be propagating material, it is to be treated, for all purposes, including s. 18, as not being propagating material.<sup>316</sup>

This was undoubtedly correct as the clear intention of the provision in the *Plant Breeder's Rights Act 1994* (Cth) was that it would be used 'by industry sectors to impose breeder

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<sup>308</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [193] (Mansfield J).

<sup>309</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [189] (Mansfield J).

<sup>310</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [187]-[188] (Mansfield J).

<sup>311</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [10] (Finn, Emmett and Bennett JJ).

<sup>312</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 18. This provision was repealed by the *Plant Breeder's Right Amendment Act 2002* (Cth) s. 3 and sch. 1 (Item 4). For background about the provision: see *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [30]-[39] (Finn, Emmett and Bennett JJ).

<sup>313</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [40] (Finn, Emmett and Bennett JJ).

<sup>314</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [41] (Finn, Emmett and Bennett JJ).

<sup>315</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [46] (Finn, Emmett and Bennett JJ). See also *Plant Breeder's Rights Act 1994* (Cth) ss. 11, 14(1) and 15.

<sup>316</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [47] (Finn, Emmett and Bennett JJ).

royalties on delivery of *grains* thereby providing incentive for investment in breeding Australia's principal grain crops' (emphasis added).<sup>317</sup> This is now, however, a surprising characterisation.

To clarify this surprise, consider a PBR'ed variety of barley. Undoubtedly the original seed in the hands of the PBR owner is 'propagating material' because it can produce another plant with the same essential characters (hence 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth)).<sup>318</sup> The yield of growing that barley (harvest) include both seeds that are a new embodiment of the plant with the same essential characters (hence 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth))<sup>319</sup> and straw that is material of the variety but not propagatable (hence not 'propagation' or 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth)).<sup>320</sup> In both these instances these materials are harvested, yet only the seed is 'propagating material'. And finally, bread made from processing the harvested seeds to flour and sun hats made from the harvested straw will be products of the 'harvested material', although not 'propagating material' because they are not 'propagation' or 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth).<sup>321</sup> Where the 'harvested material' and products of the 'harvested material' are not also 'propagating material' then there is no surprise and the cascading scheme appears satisfactory. The surprise arises where the yield of growing the barley is seed (so 'propagation' or 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth)) that is a new embodiment of the plant with the same distinctive characters *but* was characterised as 'harvested material' in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*<sup>322</sup> with conditional thresholds (both 'authorisation' and 'reasonable opportunity') to the deemed 'propagating material' to avail the PBR 'exclusive rights'.<sup>323</sup> Absent the clear statutory intention,<sup>324</sup> then there are three key insights that could reframe the provision and avoid the confusion following the *Cultivaust Pty Ltd v Grain Pool Pty Ltd* decision:

1. *The complications and confusion tracking and tracing* – Where 'harvested material' is also 'propagating material' (like the outcome in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*), then the kinds of 'exclusive rights' that apply will depend on tracking and tracing the 'propagating material' to determine whether it has been harvested and the context of the specific harvest, appreciating of course, that all 'propagating material' was 'harvested material' at some earlier time. The context will matter because propagated 'propagating material' that is harvested by the PBR owner will have the *Plant Breeder's Rights Act 1994* (Cth) 'exclusive rights'<sup>325</sup> while propagated 'propagating material' that is harvested by another will need to be assessed to determine whether it is 'propagating material' or 'harvested material' with more limited access to the *Plant Breeder's Rights Act 1994* (Cth) 'exclusive rights' if it is determined to be 'harvested material'. This will

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<sup>317</sup> Explanatory Memorandum to the Plant Breeder's Rights Bill 1994 (Cth) p. 6.

<sup>318</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagating material').

<sup>319</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagating material').

<sup>320</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagation' and 'propagating material').

<sup>321</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagation' and 'propagating material').

<sup>322</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [47] (Finn, Emmett and Bennett JJ); *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [193] (Mansfield J).

<sup>323</sup> *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(a) and (b).

<sup>324</sup> See Explanatory Memorandum to the Plant Breeder's Rights Bill 1994 (Cth) p. 6.

<sup>325</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 11.

be especially complicated where there is mixing of the original (G0) and later generation (G1+) ‘propagating material’.<sup>326</sup> In short, the confusion evidence from understanding the *Cultivaust Pty Ltd v Grain Pool Pty Ltd* decision and its fine distinctions between generations of plants (G0, G1, G2+) would be avoided by treating any material that is ‘propagating material’ as defined in the *Plant Breeder’s Rights Act 1994* (Cth)<sup>327</sup> as ‘propagating material’ to which the PBR ‘exclusive rights’ apply.<sup>328</sup> In other words, as ‘propagating material’ *per se*. Whether the ‘exclusive rights’ apply will then be a matter of whether the plant has the essential characters of the PBR’ed variety (infringement)<sup>329</sup> and whether the PBR has exhausted.<sup>330</sup> So, where ‘propagating material’ that is harvested is also ‘propagating material’ (G1) then that would be assessed as a new embodiment of the ‘propagating material’ and avoid the complications and confusion of tracking and tracing.

2. *Construction of the statutory provision* – In the *Plant Breeder’s Rights Act 1994* (Cth) scheme the ‘exclusive rights’<sup>331</sup> cascades to include ‘harvested material’<sup>332</sup> and the products of ‘harvested material’.<sup>333</sup> The cascading provisions are based around the definition of ‘propagating material’<sup>334</sup> (and the related definition of ‘propagation’)<sup>335</sup> that may be presumed to have a consistent meaning across the *Plant Breeder’s Rights Act 1994* (Cth) and that uses of the terms ‘propagating material’<sup>336</sup> and ‘material’<sup>337</sup> suggest these terms have different meanings especially when those terms appear in the same phrase ‘material is harvested from the propagating material’.<sup>338</sup> This suggests that the ‘material’ that is harvested, hence ‘harvested material’,<sup>339</sup> is different to the ‘propagating material’. This construction would narrow the scope of the ‘harvested material’ being deemed ‘propagating material’ to only those materials that are harvested that are not ‘propagating material’, such as barley straw or barley flour that is material of the variety but not itself propagatable. Any material that fits the definition of ‘propagating material’ should then be availed of the ‘exclusive rights’ for each new embodiment of the plant with the same essential characters.
3. *Exhaustion of PBRs* – Following the High Court decision in the context of *Patent Act 1990* (Cth) patents in *Calidad Pty Ltd v Seiko Epson Corporation* the majority decided in favour of the exhaustion approach<sup>340</sup> and the minority favoured the implied licence approach.<sup>341</sup> Assuming the same exhaustion approach applies to PBRs under the *Plant*

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<sup>326</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [189] (Mansfield J).

<sup>327</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1) (‘propagating material’).

<sup>328</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>329</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 53(1).

<sup>330</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 23.

<sup>331</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 11.

<sup>332</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1).

<sup>333</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 15.

<sup>334</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1) (‘propagating material’).

<sup>335</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 3(1) (‘propagation’).

<sup>336</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1), 14(1)(a), 14(1)(b), 15, 15(a), 15(b) and 15(c).

<sup>337</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1)(c) and 15(c).

<sup>338</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1)(c).

<sup>339</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1) and 15(d).

<sup>340</sup> *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 155 IPR 381, [71]-[84] (Kiefel CJ, Bell and Keane JJ) and [114]-[141] (Gageler J).

<sup>341</sup> *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 155 IPR 381, [180]-[194] (Nettle, Gordon and Edelman JJ).

*Breeder's Rights Act 1994* (Cth) then following the first sale of the 'propagating material'<sup>342</sup> the PBR will exhaust, and the only limitations on uses of the plant sold will be those applied through contract, equity and consumer law.<sup>343</sup> According to the High Court in the context of patents under the *Patent Act 1990* (Cth), this exhaustion doctrine does not end the 'exclusive rights' over other new embodiments of the invention, such as making that product again.<sup>344</sup> This was a critical distinction drawn by the majority:

Regardless of whether the exhaustion doctrine or the implied licence doctrine is to be preferred, neither doctrine has any part to play in determining whether there has been an infringement of a patent by reason that a new product embodying the claimed invention has been made. The sale of a patented product cannot confer an implied licence to make another and it cannot exhaust the right of a patentee to prevent others from being made. The right to make a product is a separate and distinct right from the right to use or to sell (footnotes omitted).<sup>345</sup>

Applied to the *Plant Breeder's Rights Act 1994* (Cth) this suggests that a new embodiment of a PBR'ed plant variety 'propagating material' will have been propagated (said in UPOV 1991 to be 'making'),<sup>346</sup> and will have all the 'exclusive rights' of 'propagating material' because it necessarily is the result of exercising the 'exclusive rights' to 'produce ... the material' of a new embodiment of the PBR'ed variety.<sup>347</sup> In dealing with 'propagating material' that is also 'harvested material' (such as barley seed), then the *Plant Breeder's Rights Act 1994* (Cth) 'exclusive rights' would apply to that material as 'propagating material' *per se* and not as a result of the cascading to deem the 'harvested material' or products of 'harvested material' to be 'propagating material'. Put another way, the implied licence accepted by all the parties and the courts in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*<sup>348</sup> complicated the exhaustion analysis, and if a first sale doctrine as set out by the High Court majority in *Calidad Pty Ltd v Seiko Epson Corporation* had been applied, then: (1) the sale of the seeds without conditions (until 16 April 1995)<sup>349</sup> would have exhausted the State of Tasmania's and Cultivaust's PBR so the extension of the PBR to 'harvested material' was the only possible avenue to assert PBR infringement; and (2) as the harvest (including the harvests from farmer saved seeds), were new embodiments of the 'propagating material' of the variety with the variety's essential characters then a PBR applied to that 'propagating material' *per se*.

The theoretical flaw with this reframing is that there may be some 'harvested material' grown from 'propagating material' where the PBR holder has been unable to exercise their PBR over the 'propagating material'. This is, however, directly addressed because in those circumstances the 'harvested material' is a new embodiment of the 'propagating material' and will have all the 'exclusive rights' of 'propagating material'. The *Cultivaust Pty Ltd v Grain*

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<sup>342</sup> Noting that 'sold' may have an expansive meaning to include a dealing with the PBR'ed variety: see *Sun World International Inc v Registrar of Plant Breeder's Rights* (1998) 42 IPR 321, 322-323 (Burchett J), 328 (Carr J) and 329 (Mansfield J).

<sup>343</sup> See *Plant Breeder's Rights Act 1994* (Cth) s. 23(1).

<sup>344</sup> *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 155 IPR 381, [45] (Kiefel CJ, Bell and Keane JJ) and [112] (Gageler J).

<sup>345</sup> *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 155 IPR 381, [45] (Kiefel CJ, Bell and Keane JJ).

<sup>346</sup> UPOV Publication No. 346(E), above n. 48, p. 297 ([803.2]).

<sup>347</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 11(a).

<sup>348</sup> (2004) 62 IPR 11, [162], [186], [192] and [210] (Mansfield J).

<sup>349</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [138] and [203] (Mansfield J).

*Pool Pty Ltd* circumstances would therefore have been resolved in favour of the State of Tasmania and Cultivaust as a direct infringement against Grain Pool of the 'exclusive rights' to store, sell and export barley grown from the farm saved seed ('propagating material' *per se*) without having to engage the cascading conditional 'authorisation' and 'reasonable opportunity' thresholds to exercise their PBR 'exclusive rights'.<sup>350</sup> Put simply, the later generation seeds (G2+) were new embodiments of the PBR'ed variety and were 'propagating material' *per se*.

The remaining problem, however, is that this seems to directly contradict the Full Federal Court decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.<sup>351</sup> As set out above, the significant advances after the High Court majority's decision in *Calidad Pty Ltd v Seiko Epson Corporation* about the exhaustion doctrine means, first, that the implied licence analysis of the Federal Court was incorrect, and secondly, that with exhaustion on first sale there must be a different PBR applied to the new embodiments of 'propagating material' *per se*, otherwise the PBR will have little effect being replaced by contract, equity and consumer law on the sale of the first generation (G0). These are compelling reasons to review the effect of the decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* and posit a new framing of 'propagating material' *per se*.

There might also be some support here from the European decision in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís*<sup>352</sup> that reveals the impracticability for PBR holders in dealing with ambiguous and uncertain property. For the court in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* the planting and harvesting of fruit of a mandarin tree variety 'Nadorcott' was not an 'act of production or reproduction (multiplication)' of 'propagating material' (called 'primary' protection), but rather, it was the production of 'harvested material' (called 'secondary' protection).<sup>353</sup> Significantly Sanchís had planted, grafted or commercially exploited the protected variety and was harvesting the fruit and then marketing that fruit.<sup>354</sup> The court considered that he 'did not undertake multiplication of the constituents of the protected variety' and the fruit harvested was 'not liable to be used as plant propagating material for that plant variety'.<sup>355</sup> As such, harvesting the fruits 'must rather be regarded as the production of harvested material'.<sup>356</sup> This was justified by considering the 'propagation capacity' of the material 'except in cases where the conditions ... are fulfilled with regard to harvested material'.<sup>357</sup> This perspective was then consolidated by asserting that: this was consistent with the exhaustion provisions and third parties further propagating without authorisation;<sup>358</sup> a broad claim to public interest about 'what is necessary to encourage' plant breeding<sup>359</sup> and unfairly rewarding the right holder where that fruit 'is not liable to be used for propagation purposes';<sup>360</sup> and, the assertion that

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<sup>350</sup> Contrast *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J). See also *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(a) and (b).

<sup>351</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [47] (Finn, Emmett and Bennett JJ).

<sup>352</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33.

<sup>353</sup> *Ibid.*, [29].

<sup>354</sup> *Ibid.*, [13], [17] and [20].

<sup>355</sup> *Ibid.*, [20].

<sup>356</sup> *Ibid.*, [29].

<sup>357</sup> *Ibid.*, [30].

<sup>358</sup> *Ibid.*, [31].

<sup>359</sup> *Ibid.*, [32].

<sup>360</sup> *Ibid.*, [33].

without interpreting the relevant provisions this they would make it 'otiose' where harvested fruit was not likely to be used for propagating that variety.<sup>361</sup> The court accepted the opinion of the Advocate General that in understanding UPOV 1991 the 'primary' protection was the protection afforded to 'propagating material', 'the use of propagating material for the purpose of producing a harvest was explicitly excluded from the scope of that provision which establishes the conditions for the application of primary protection'.<sup>362</sup> In reaching this opinion the Advocate General pointed to the UPOV 1991 negotiations<sup>363</sup> where the basic text had included 'use in any way other than those mentioned in (i) to (vii), above'<sup>364</sup> that had not been adopted in the final text because it too broadly covered acts protected by the variety right,<sup>365</sup> and there was also another amendment that was adopted providing for further acts and uses to be included in the variety right in future.<sup>366</sup> The Advocate General also pointed to the UPOV 1991 negotiations<sup>367</sup> where a negotiator had queried the kinds of authorisations a user of 'propagating material' might require to obtain 'harvested material'<sup>368</sup> and an industry group had lamented that the adopted text did not address their long held concern that 'the case of ornamental varieties intended for the production of cut flowers and of fruit tree varieties, the new product was not the propagating material, but the cut flower or the fruit'.<sup>369</sup> The Advocate General then points to the rejection of amendments that would have addressed the specific concern at UPOV 1991 about 'the use of reproductive material for the production of cut flowers or fruit'.<sup>370</sup> The outcome in this case was that Sanchís was producing 'harvested material' and that required an assessment of authorisation and 'reasonable opportunity'.<sup>371</sup> For our purposes, however, the reasoning of the court and its reliance on the Advocate General's opinion are unfortunate and misplaced:

1. *Uncertainty about when 'propagating material' is 'harvested material'* – Recall the court in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* decided that because the harvested fruit was not 'liable to be used as propagating material' then planting the protected variety and harvesting the fruits 'must rather be regarded as the production of harvested material'.<sup>372</sup> This begs the question, what if the harvested mandarin seeds in the fruit were planted out to be plants with the same essential characters as the protected variety, would they have been 'propagating material'? For this question it is important to note that the mandarin fruit are seedless so they can only be propagated with asexual techniques,<sup>373</sup> but they can be asexually propagated

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<sup>361</sup> Ibid., [33].

<sup>362</sup> Ibid., [37]. See also *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, above n. 33, [32].

<sup>363</sup> *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, ibid., [32].

<sup>364</sup> UPOV Publication No. 346(E), above n. 48, p. 28 (Art. 14.1(a)(viii)).

<sup>365</sup> Ibid., pp. 305-308 ([859]-[876]).

<sup>366</sup> See UPOV 1991, Art. 14.4. See also ibid., pp. 308-309 ([879]-[882]).

<sup>367</sup> *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, above n. 33, [32].

<sup>368</sup> UPOV Publication No. 346(E), above n. 48, p. 335 ([1024]). See also *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, ibid., [32].

<sup>369</sup> UPOV Publication No. 346(E), ibid., p. 404 ([1534.2]). See also *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, ibid., [32].

<sup>370</sup> *Club de Variedades Case C-176/18 (Saugmandsgaard Øe)*, ibid., [33]-[35].

<sup>371</sup> *Club de Variedades Case C-176/18 (Xuerab et al.)*, above n. 33, [39].

<sup>372</sup> Ibid., [29].

<sup>373</sup> Ibid., [20]. See also Crespo Velasco, above n. 154, 976-977.

from fruit tissues.<sup>374</sup> Framing ‘propagating material’ based on its potential uses creates uncertainty in the variety rights (the PBR) as property because that will change depending on its uses, and especially where that use changes. So, for example, Sanchis may have started out using the mandarin tree varieties to harvest fruit, but this might have changed after many years to be used as grafted material to replant or tissue culture propagation of whole new plants. Would that be ‘primary’ protection ‘propagating material’ or ‘secondary’ protection ‘harvested material’? Given the difficulties in citrus breeding it may have been reasonable to deal with the ‘Nadorcott’ mandarins as effectively non-propagating material in this case, although technology will continually increase the potential for materials to be propagated making the distinction made in this case increasingly infallible. A better approach will be to consider the potential propagability of materials, rather than the conduct and intentions of the grower. Thus, this case might be distinguished as the court determining that the ‘Nadorcott’ mandarins as effectively non-propagating material, hence ‘harvested material’, and that a different court might consider ‘Nadorcott’ mandarins eminently propagatable hence ‘propagating material’ *per se*.

2. *Did UPOV 1991 really reject considering ‘harvested material’ that was also ‘propagating material’* – Recall the court appeared to accept the Advocate General’s opinion based in the UPOV 1991 negotiations that using ‘propagating material’ to produce a harvest was explicitly excluded.<sup>375</sup> But a close reading of the UPOV 1991 negotiations shows that the negotiators were not so clear. This issue was referred to the Working Group on Article 14(1)(a) and (b) that actually agreed that ‘this was an issue which would need to be dealt with in Article 16 [exhaustion]’.<sup>376</sup> Back at the plenary an exhaustion amendment was proposed to distinguish between uses of the ‘harvested material’ that was also ‘propagating material’ for ‘purpose other than consumption’.<sup>377</sup> While the amendment was not accepted, the critical point is that the negotiators considered that the problem was already addressed by the UPOV 1991 text<sup>378</sup> because the production of a harvest, such as cut flowers and fruit like apples, was ‘a further propagation of the variety and the breeder’s right in relation to that further propagation was not exhausted’.<sup>379</sup> The actual negotiating report is critical to demonstrate the specific context and meaning, here from the Vice Secretary-General of UPOV:

When somebody bought some apple trees from a retailer and reproduced them, then the reproduction was an act under Article 14(1)(a) which was an infringement of the breeder’s right. Pursuant to the text under consideration on the exhaustion of the breeder’s right, there was indeed a sale of apple trees; but, notwithstanding the fact that the original sale involved an act that exhausted the right, there was a further propagation of the variety and the breeder’s right in relation to that further propagation was not exhausted. The text in the Basic Proposal was thus

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<sup>374</sup> For an explanation see, for example, Benjamin Burr and Frances Burr, ‘How do Seedless Fruits Arise and How are They Propagated?’ (2000) *Scientific American* at <<https://www.scientificamerican.com/article/how-do-seedless-fruits-ar>>.

<sup>375</sup> *Club de Variedades* Case C-176/18 (Xureb *et al.*), above n. 33, [37]. See also *Club de Variedades* Case C-176/18 (Saugmandsgaard *Øe*), above n. 33, [32].

<sup>376</sup> UPOV Publication No. 346(E), above n. 48, p. 146 ([14]).

<sup>377</sup> *Ibid.*, pp. 141 (Denmark, DC/91/109) and 421 ([1646.1]-[1646.2]).

<sup>378</sup> *Ibid.*, p. 425 ([1665]-[1666]).

<sup>379</sup> *Ibid.*, p. 425 ([1662]).

perfectly satisfactory and enabled the breeder to assert his rights without the addition that was proposed.<sup>380</sup>

With great respect, the UPOV 1991 negotiations did not finally resolve the matter leaving open considering ‘harvested material’ that is also ‘propagating material’ as ‘propagating material’ *per se*, and at least some of the negotiators had a different view as the quote above demonstrates. Importantly, in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* the court also only decided that ‘the breeder may not prohibit the use of variety constituents for the sole purpose of producing an agricultural harvest, but merely acts leading to the reproduction and propagation of the protected variety’.<sup>381</sup> This is important as the harvest was not going to be used for reproduction and propagation,<sup>382</sup> and again, this material might have been characterised as ‘propagating material’ *per se*.

In summary so far, the analysis has addressed two key questions: (1) what is ‘harvested material’?; and (2) is there a distinction between ‘harvested material’ and ‘propagating material’ where the ‘harvested material’ is also ‘propagating material’? For the first question, ‘harvested material’ is the plant material, whether whole plant or part of the plant, that is obtained, being the yield or ripe crop from the growing out ‘propagating material’. The second question is more complicated and calls for a reimagining of the ‘harvested material’ that is also ‘propagating material’ as a new embodiment of the PBR’ed variety ‘propagating material’ *per se*. This is also arguably consistent with the UPOV 1991 negotiations and consistent with the view adopted by ACIP in its review of PBR enforcement,<sup>383</sup> and accepted by the Australian Government but not implemented,<sup>384</sup> concluding that ‘the best way of making it clear that harvested grains that also constitute propagating material are covered by s. 11 [so, ‘propagating material’ *per se*] is to clarify this’ in the *Plant Breeder’s Rights Act 1994* (Cth).<sup>385</sup>

How might this be achieved? Where the ‘harvested material’ and products of the ‘harvested material’ are not also ‘propagating material’ then there is no surprise, and the cascading scheme in the current the *Plant Breeder’s Rights Act 1994* (Cth) appears satisfactory (subject to ‘authorisation’ and ‘reasonable opportunity’: see §§5.2 and 5.3). The problem is confined to the specific circumstance where ‘harvested material’ is also ‘propagating material’. The present *Plant Breeder’s Rights Act 1994* (Cth) does not set out a definition of ‘harvested

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<sup>380</sup> Ibid., pp. 424-425 ([1662]). Other examples include: ‘when any material, whether it was put on the market as propagating material or not, was used in such a manner as to involve further propagation of the variety, the breeder’s right did not exhaust’: [1675.2]; ‘The act of using that celery seed that was put on the market as a spice to grow celery was covered by the right’: [1675.3]; ‘the case of somebody who bought grain or soya beans sold for consumption and used them for growing a harvest for sale. In that case, there was no propagation, the process of producing a plant from a seed not being propagation. That case was not covered by [exhaustion]’: [1677]; and so on.

<sup>381</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33, [38].

<sup>382</sup> Ibid., [21] and [39].

<sup>383</sup> Notably, ACIP considered that Justice Mansfield in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* stated that harvested barley ‘is propagating material within the meaning of s. 11’: ACIP – Review of Enforcement, above n. 14, p. 31. This is probably not correct as Justice Mansfield actually said ‘it is to be treated as if it is propagating material for the operation of s. 11’: *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [55].

<sup>384</sup> See Australian Government Response – Enforcement, above n. 166, [2].

<sup>385</sup> ACIP – Review of Enforcement, above n. 14, p. 39.



material'. There are, however, broad definitions of 'propagation' and 'propagating material' in the *Plant Breeder's Rights Act 1994* (Cth).<sup>386</sup>

Before finding a suitable solution, the first matter is to conceptualise what it is that is 'harvested material' that is not 'propagating material'. Recalling, by way of illustration, that the yield of growing say barley (harvest) include both seeds that are a new embodiment of the plant with the same essential characters (hence 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth))<sup>387</sup> and straw that is material of the variety but not propagatable (hence not 'propagation' or 'propagating material' as defined in the *Plant Breeder's Rights Act 1994* (Cth)).<sup>388</sup> In this illustration, 'harvested material' that is not 'propagating material' will be the straw and that straw will be, according to the cascading rights in the *Plant Breeder's Rights Act 1994* (Cth), deemed 'propagating material'.<sup>389</sup> Where that straw is made into a sun hat then the sun hats made from the harvested straw will be a product of 'harvested material' and, according to the cascading rights in the *Plant Breeder's Rights Act 1994* (Cth), also deemed as 'propagating material'.<sup>390</sup> Alternatively, ask is there any 'harvested material' that is not 'propagating material' that is also not products of 'harvested material' so that there is some subject matter for the *Plant Breeder's Rights Act 1994* (Cth) s. 14(1) ('harvested material') that is not also covered by the *Plant Breeder's Rights Act 1994* (Cth) s. 15 (products of 'harvested material')? In the above illustration, the distinction might be between barley straw that is sold without a form or purpose, such as loose straw, and straw that is sold in some form or product, such as barley straw or sun hats. The distinction is unlikely to be significant as both 'harvested material' and the products of 'harvested material' have the same thresholds of authorisation and a 'reasonable opportunity'.<sup>391</sup>

Now conceptualised, the question is how might a definition that clarifies that 'harvested material' as material that is harvested from plants grown from the 'propagating material' and then differentiate 'harvested material' from 'propagating material' (and the products of 'harvested material') be formulated? ACIP in its review of PBR enforcement considered that the definitions might be amended, or a note be added to the relevant provision.<sup>392</sup> The form of the proposed note was an explanatory note in an amended *Plant Breeder's Rights Act 1994* (Cth) s. 11, and this appears to be a suitable proposal with explanation of the policy objectives in an accompanying explanatory memorandum to the amendment:

Note: Where harvested material is also propagating material, such harvested material is to be considered to be propagating material for the purposes of s. 11.<sup>393</sup>

A further measure, not addressed by ACIP, will need to be the repeal of *Plant Breeder's Rights Act 1994* (Cth) s. 14(2) that presently deals with 'harvested material' as inclusive of 'propagating material'. This provision presently clarifies that the exemption for 'farming

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<sup>386</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagation').

<sup>387</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagating material').

<sup>388</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 3(1) ('propagation' and 'propagating material').

<sup>389</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 14(1).

<sup>390</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 15.

<sup>391</sup> See *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(a) and (b) ('harvested material') and 15(a) and (b) (products of 'harvested material').

<sup>392</sup> ACIP – Review of Enforcement, above n. 14, pp. 39 and 42.

<sup>393</sup> ACIP – Review of Enforcement, above n. 14, p. 39.

activities' using PBR'ed 'propagating material' for conditioning and reproducing.<sup>394</sup> The phrase currently appears to elide 'harvested material' and 'propagating material' – 'so much of the material harvested by a farmer from propagating material conditioned and reproduced'.<sup>395</sup> Removing this provision will not affect the exemption for 'farming activities' as that measure is directed to 'propagating material',<sup>396</sup> and any conditioning and reproducing of 'propagating material' will apply to every embodiment of 'propagating material' *per se*.

### **Recommendation 1**

The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) to clarify that where 'harvested material' is also 'propagating material' then that material should be availed of the 'exclusive rights' available to 'propagating material' *per se*, without the need for the cascading to deem the 'harvested material' as 'propagating material' with the thresholds of 'authorisation' and a 'reasonable opportunity'. This should involve:

1. Adding a note to the *Plant Breeder's Rights Act 1994* (Cth) s. 11.
2. Repealing the *Plant Breeder's Rights Act 1994* (Cth) s. 14(2).

### **Recommendation 2**

The Australian Government should clarify that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder's Rights Act 1994* (Cth). This is necessary to avoid the uncertainty that existed with the application of the implied licence doctrine, illustrated by the decisions in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.

### **Recommendation 3**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.

### **Recommendation 4**

The Australian Government should advocate at UPOV to amend the UPOV 'harvested material' explanatory note to clarify that 'harvested material' that is also 'propagating material' is to be considered 'propagating material' *per se*.

**Problem:** The meaning of 'harvested material' in the *Plant Breeder's Rights Act 1994* (Cth) is uncertain where the 'harvested material' is also 'propagating material'.

**Preferred solution:** Clarify that 'harvested material' that is also 'propagating material' is to be 'propagating material' *per se* and make appropriate amendments to the *Plant Breeder's Rights Act 1994* (Cth). The simplest amendment, and also recommended by ACIP, is to include an explanatory note in an amended *Plant Breeder's Rights Act 1994* (Cth) s. 11. The

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<sup>394</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 17(1).

<sup>395</sup> *Plant Breeder's Rights Act 1994* (Cth) s. 14(2).

<sup>396</sup> See *Plant Breeder's Rights Act 1994* (Cth) s. 17(1)(a).

explanatory memorandum can clarify the intention of the amendment. Consequential actions should include:

- Repealing the *Plant Breeder's Rights Act 1994* (Cth) s. 14(2).
- Accepting that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder's Rights Act 1994* (Cth).
- Prepared explanatory materials to assist PBR stakeholders understanding the practical effects of these amendments.
- Advocate at UPOV to amend the harvested material explanatory note to clarify that 'harvested material' that is also 'propagating material' is to be considered 'propagating material' *per se*.

**Benefits:** The current arrangements where some 'harvested material' that is also 'propagating material' is treated as 'harvested material' introduces complexities into dealings, particularly in the grain and horticulture sectors. Clarifying when plant material is to be considered 'propagating material' *per se* will avoid most of these complexities. This is particularly relevant now that it is almost certain that the first sale exhaustion doctrine articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* will apply to the *Plant Breeder's Rights Act 1994* (Cth). Anything that fits within the current definition of 'propagating material' in the *Plant Breeder's Rights Act 1994* (Cth) will be considered as 'propagating material' *per se* and the extension to 'harvested material' and the products of 'harvested material' will be much clearer.

**Costs:** The costs are likely to be minimal as the current arrangements after the confusing decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* have required most PBR owners to clarify their dealings in complicated contracts. With the first sale exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applying to the *Plant Breeder's Rights Act 1994* (Cth) these arrangements should be more certain without the implied licence complications and uncertainty about when 'propagating material' is 'harvested material', and *vica versa*, and when 'propagating material' that was 'harvested material' becomes 'propagating material' again.

## **5.2 The concept of 'authorisation' and 'unauthorised use'**

The *Plant Breeder's Rights Act 1994* (Cth) provides for the cascading extension of the PBR 'exclusive rights' to 'harvested material' and the products of 'harvested material' if, in part, 'propagating material ... covered by PBR is produced or reproduced without the authorisation of the grantee'.<sup>397</sup> In these circumstances, the question is what constitutes 'authorization' so that the PBR holder can enforce their extended PBR 'exclusive rights'?

The first interpretive concern is to distinguish between: (1) where no authorization was given, and authorization was required (infringement)?; and (2) where no authorization was given, and it is not clear whether authorization was actually required?<sup>398</sup> As the *Plant Breeder's Rights Act 1994* (Cth) gives effect to Australia's commitment to UPOV 1991,<sup>399</sup> UPOV provides

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<sup>397</sup> *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(a) and 15(a).

<sup>398</sup> de Jong, above n. 242, p. 509.

<sup>399</sup> See *Plant Breeder's Rights Act 1994* (Cth) ss. 3(1) ('Convention') and 10(a). See also House of Representatives, *Hansard*, 24 August 1994, p. 157 (Minister for Administrative Services); Senate, *Hansard*, 24 March 1994, p. 2306 (Senator John Faulkner).

some guidance about the likely meanings of relevant terms in the Australian law. UPOV 1991 provides for the extension of the PBR 'exclusive rights' that apply to 'propagating material' to 'harvested material'<sup>400</sup> and the products of 'harvested material'<sup>401</sup> if the threshold is satisfied that the PBR holder has authorized the use of the 'propagating material', in UPOV 1991 termed 'the unauthorized use of propagating material'.<sup>402</sup> A further threshold is that the breeder has not had a 'reasonable opportunity' to exercise their right over the 'propagating material' or 'harvested material' (see §5.3). The question now is what does UPOV say about 'unauthorised use'?

At the time of the UPOV 1991 Diplomatic Conference there were opinions expressed that royalties should be imposed at the first opportunity, hence a 'cascade principle' applying first to 'propagating material', then to 'harvested material' and then to the products of 'harvested material', so as to maintain 'a smooth relationship between the breeders and the users of varieties'.<sup>403</sup> The key problem identified at the time was proving that a right could not have been previously exercised when engaging the advantage of the 'cascade principle'.<sup>404</sup> Some expressed the view that because 'it would be very difficult for him to prove that he had not been in a position to exercise his right at an earlier stage' the 'cascade principle' meant that 'the breeder might just possess a worthless right'.<sup>405</sup> Despite these reservations, there was agreement that the breeder's benefits from variety rights, such as royalties, should be imposed at the earliest time that would generally be on sale of the 'propagating material', but that in exceptional cases this might be asserted at a later stage of harvest or the products of the harvest.<sup>406</sup> This reflected the earlier consensus at meetings preceding the Diplomatic Conference to develop the basic proposal that these exceptional cases might arise where the variety right owner had not previously agreed to dealings with the 'propagating material'.<sup>407</sup> Then in the basic proposal the term 'consent' had been replaced with the term 'authorisation' but 'the intention was not to modify the text in substance'.<sup>408</sup> This was significant because the exhaustion provisions use the term 'consent' and presumably the 'harvested material' and exhaustion provisions use consistent terminology (addressed further below).<sup>409</sup>

An amendment at the time of the UPOV 1991 Diplomatic Conference was proposed to modify the basic proposal<sup>410</sup> by substituting 'unauthorized [use]' for 'whose use, for the purpose of obtaining harvested material, was not authorized by the breeder'.<sup>411</sup> The important point for our analysis is that there is a context for the use of the term 'authorisation':

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<sup>400</sup> UPOV 1991, Art. 14.2.

<sup>401</sup> UPOV 1991, Art. 14.3.

<sup>402</sup> UPOV 1991, Art. 14.2. See also UPOV Publication No. 346(E), above n. 48, p. 403 ([1529.4]).

<sup>403</sup> Ibid., pp. 314-315 ([916]).

<sup>404</sup> Ibid., p. 315 ([918] and [920]).

<sup>405</sup> Ibid., p. 315 ([920]).

<sup>406</sup> See *ibid.*, pp. 314-317 ([915]-[934]).

<sup>407</sup> See UPOV/CAJ/28/6, above n. 271, [41].

<sup>408</sup> Administrative and Legal Committee, *Report* (1990) UPOV/CAJ/27/8, [74].

<sup>409</sup> UPOV 1991, Art. 16.

<sup>410</sup> See UPOV Publication No. 346(E), above n. 48, p. 30. Noting that in discussions about the basic proposal the term 'consent' had been replaced with the term 'authorisation' and that 'the intention was not to modify the text in substance': UPOV/CAJ/27/8, above n. 408, [74].

<sup>411</sup> UPOV Publication No. 346(E), *ibid.*, p. 318 ([943]).

there was agreement that authorization also implicitly covered the production of harvested material if the breeder had authorized the production and sale of propagating material. That was a case of harvested material that had been produced by authorized use of propagating material. However, where the breeder had not authorized sale and propagating material had nevertheless been sold and had been sown, for instance by the breaking of a licensing agreement, then that was a case of harvested material that had been produced by unauthorized use of propagating material.<sup>412</sup>

In reaching agreement the negotiators also accepted that ‘authorisation’ was for commercial use and not the use for private or other non-commercial purposes,<sup>413</sup> and that the authorisation could be made subject to conditions and limitations.<sup>414</sup> While disappointed about the final scope of the provision, an industry participant lamented about the effect of the provision perhaps giving some insight into the operation of the authorisation: ‘it did no more than to give the breeder an indirect means – through the cut flower or fruit – of controlling after the act any propagating material that had escaped his control under Article 14(1)(a)’.<sup>415</sup>

The UPOV 1991 explanatory notes make clear that ‘authorized’ use<sup>416</sup> refers to the protected exclusive acts for ‘propagating material’ and require the authorisation of the PBR holder in the territory, and that where express authorisation has not been obtained there will be infringement – ‘unauthorised use’ is limited to the protected acts of ‘Article 14(1) of the [UPOV 1991]’.<sup>417</sup> By way of an example, exporting a PBR protected propagating material<sup>418</sup> without the express authorisation of the PBR holder would be an unauthorised protected act and an infringement of the PBR.<sup>419</sup> This means that the UPOV position is a strict requirement for positive authorisation for *only* the acts that would be infringement, and this will not include other non-infringing acts.<sup>420</sup> This authorisation may, however, be provided subject to conditions,<sup>421</sup> and subject to the exceptions of acts done privately and for non-commercial purposes,<sup>422</sup> acts done for experimental purposes,<sup>423</sup> the ‘breeder’s exemption’<sup>424</sup> and the (optional) ‘farmer’s exemption’.<sup>425</sup> While these UPOV 1991 explanatory notes are not intended to be binding,<sup>426</sup> they have been endorsed in European law through the decision in *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* (addressed further below).<sup>427</sup>

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<sup>412</sup> Ibid., p. 320 ([953]).

<sup>413</sup> Ibid., p. 145 ([6]).

<sup>414</sup> Ibid., p. 405 ([1545]-[1547]).

<sup>415</sup> Ibid., p. 404 ([1534.3]).

<sup>416</sup> See UPOV 1991, Arts. 14.1 and 14.2.

<sup>417</sup> UPOV/EXN/HRV/1, above n. 28, [4]. See also UPOV/INF/6/5, above n. 287, p. 56.

<sup>418</sup> See UPOV 1991, Art. 14.1(a)(v).

<sup>419</sup> UPOV/EXN/HRV/1, above n. 28, [6].

<sup>420</sup> Ibid., [4] (“‘Unauthorized use’ refers to the acts in respect of the propagating material that require the authorization of the holder of the breeder’s right in the territory concerned (Article 14(1) of the 1991 Act), but where such authorization was not obtained”).

<sup>421</sup> UPOV/EXN/CAL/1, above n. 37, [2]. See also UPOV 1991, Art. 14.2.

<sup>422</sup> UPOV 1991, Art. 15.1(i).

<sup>423</sup> UPOV 1991, Art. 15.1(ii).

<sup>424</sup> UPOV 1991, Art. 15.1(iii).

<sup>425</sup> UPOV/EXN/CAL/1, above n. 37, [7]-[11]; UPOV/EXN/EXC/1, above n. 41, [4]-[28]. See also UPOV 1991, Art. 15.2.

<sup>426</sup> See UPOV/EXN/HRV/1, above n. 28, p. 3.

<sup>427</sup> See *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33, [32]-[39]; *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), above n. 33, [54]. See also de Jong, above n. 242, pp. 509-510.

Unfortunately, in the context of the *Plant Breeder's Rights Act 1994* (Cth) the decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* provided little clear guidance other than confirming that authorisation was a question of fact.<sup>428</sup> Recall there the first generation of seed (G1) could be stored and sold because 'the supply of the seed necessarily authorised the use of that seed to grow a crop and the sale of the crop from that seed'.<sup>429</sup> In that circumstance the sale was evidence of the authorisation and clearly in this case the barley seeds were purchased with the relevant authorisation, albeit an implied licence to grow and sell the harvest and without any other conditions.<sup>430</sup> The more complex authorisation was about the harvested seeds produced for sale from lawfully farm-saved seeds (G2 and G2+), although that question was not addressed because the matter was resolved on the 'reasonable opportunity' question.<sup>431</sup> If it had been, however, then it is unclear how this might have been resolved. The facts were that the State of Tasmania and Cultivaust did not impose conditions at the time of first sale on growers because they wanted to collect their levy or EPR from Grain Pool.<sup>432</sup> When they later found that Grain Pool would not agree to collect this levy or EPR, they brought an action against Grain Pool and not the growers.<sup>433</sup> The authorisation, however, was about the growers being authorized to produce or reproduce the PBR'ed variety, and that was assumed from the first sale,<sup>434</sup> even though it was arguably an authorisation to grow the PBR'ed variety subject to the royalty being paid after harvest and collected through Grain Pool, and not just a bare authorisation to grow the PBR'ed variety. Unfortunately, Justice Mansfield didn't address this issue and instead moved directly to the 'reasonable opportunity' issue.<sup>435</sup> This might be characterised as either accepting that there was not authorisation and so he moved to the next relevant standard, or that he didn't need to address authorisation because the matter was more clearly resolved by the 'reasonable opportunity' issue.<sup>436</sup>

The other significant decision about authorisation was the European case of *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís*.<sup>437</sup> Recall there Sanchís purchased the mandarin tree variety 'Nadorcott' that between 1995 and 2006 from a nursery that was open to the public and planted in 2005 and 2006 with some plants replaced in 2006 with other plants purchased from the same nursery.<sup>438</sup> Meanwhile the Regulation 2100/94 community plant variety right was applied for in 1995, granted in 2004 and all appeals finally dismissed in 2006.<sup>439</sup> The Regulation 2100/94 applied essentially the same UPOV 1991 consistent requirement for 'unauthorized use of variety constituents of the protected variety' to extend the community plant variety right to 'harvested material' (see Attachment 1).<sup>440</sup> The issue before the court was whether the planting and harvesting of fruit required authorisation (hence infringement) or that the fruit was 'harvested material' that required

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<sup>428</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [191] (Mansfield J).

<sup>429</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [186] (Mansfield J).

<sup>430</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] and [203] (Mansfield J).

<sup>431</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197]-[199] (Mansfield J).

<sup>432</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] (Mansfield J).

<sup>433</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [195] and [197] (Mansfield J).

<sup>434</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] (Mansfield J).

<sup>435</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [193]-[194] (Mansfield J).

<sup>436</sup> See also ACIP – Review of Enforcement, above n. 14, pp. 44-45.

<sup>437</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33.

<sup>438</sup> *Ibid.*, [11]-[12].

<sup>439</sup> *Ibid.*, [11].

<sup>440</sup> Regulation 2100/94, Art. 13.3.

prior authorisation and a 'reasonable opportunity' to exercise the community plant variety right.<sup>441</sup> The specific concern was about the application of Regulation 2100/94 to the provisional application *before* the granting date in 2006 and equitable remuneration, and then infringement *after* that date.<sup>442</sup> The court considered that any act of the 'exclusive rights' *after* grant would be infringement unless authorized and so their performance without authorisation would be 'unauthorised'.<sup>443</sup> While *before* grant, the applicant could not prevent the acts of the 'exclusive rights' so their performance without authorisation would not be 'unauthorised'.<sup>444</sup> As such, Sanchís planting and harvesting *before* the grant was not 'unauthorised' so there was no extension of the community plant variety right to fruit as 'harvested material'.<sup>445</sup> *After* grant, however, the planting and fruit harvesting would have been the acts of the 'exclusive rights' of offering for sale and selling or other marketing of the fruit of a protected variety that required authorisation,<sup>446</sup> and so the fruit harvesting was unauthorised.<sup>447</sup> Put simply, Sanchís harvesting fruit of an *after* grant protected variety was unauthorised because the protected acts of offering for sale and selling or other marketing of the fruit of a protected variety required authorisation, and there was none.<sup>448</sup> And perhaps problematically the decision may have added some authority to the UPOV explanatory notes<sup>449</sup> that limit the authorisation to the acts of infringement and not the broader ideal of authorisation being a permission from the PBR owner to use their protected variety.

Perhaps more useful in the *Club de Variedades Vegetales Protegidas v Adolfo Juan Martínez Sanchís* dispute was the opinion of the Advocate General interpreting the 'harvested material' provisions of the Regulation 2100/94 (see Attachment 1).<sup>450</sup> Essentially the opinion was about the same question: whether plants purchased by a farmer from a nursery and the harvested fruits were subject to the payment of an equitable remuneration to the plant breeder *before* the community plant variety right grant and then authorisation from the plant breeder for planting and harvesting fruits *after* the grant.<sup>451</sup> Importantly, this question was confined to the plants planted before the grant and the harvest of fruit before and after the grant (506 trees in 2005 and 998 trees in 2006) and did not address plants planted after the grant (100 replacement trees in 2006).<sup>452</sup> The Advocate General considered that planting the protected variety and harvesting the fruit were not 'production' of the plant variety that would have been covered by the primary right to 'propagating material',<sup>453</sup> but the production of fruit that would have been covered by the secondary right to 'harvested material'.<sup>454</sup> The important circumstance here was that the fruit, while itself 'propagating material' but not the

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<sup>441</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33, [17]. See also Regulation 2100/94, Art. 13.

<sup>442</sup> *Ibid.*, [19].

<sup>443</sup> *Ibid.*, [41].

<sup>444</sup> *Ibid.*, [42]-[45].

<sup>445</sup> *Ibid.*, [46]. But note that in *Greenstar-Kanzi Europe NV v Jean Hustin and Jo Goossens* Case (2011) C-140/10, [15], [17] and [44] (A. Tizzano, M. Safjan, M. Ilešič, E. Levits and J.-J. Kasel) trees were placed on the market during the period of provisional protection without authorisation and the court found there was infringement.

<sup>446</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), *ibid.*, 18, [47].

<sup>447</sup> *Ibid.*, [48]. See also *Greenstar-Kanzi Europe NV v Jean Hustin and Jo Goossens* Case (2011) C-140/10, [44] (A. Tizzano, M. Safjan, M. Ilešič, E. Levits and J.-J. Kasel).

<sup>448</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), *ibid.*, [51].

<sup>449</sup> See *ibid.*, [32]-[39]; *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), above n. 33, [54].

<sup>450</sup> *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), *ibid.*, [1].

<sup>451</sup> *Ibid.*, [3].

<sup>452</sup> *Ibid.*, [3].

<sup>453</sup> *Ibid.*, [28]. See also Regulation 2100/94, Art. 13.2(a).

<sup>454</sup> *Ibid.*, [30].

seeds as they were seedless mandarins, was the harvest and so squarely within the conception of ‘harvested material’ and the secondary right requiring ‘unauthorised use’ and a ‘reasonable opportunity’ to found infringement.<sup>455</sup> Then referring to the history of the UPOV, the Advocate General considered that the breeder’s ‘authorisation’ was:

the breeder’s power to make the *authorisation* of the acts for which his *consent* is required subject to certain contractual conditions and restrictions ... [including] the methods for planting the variety constituents and harvesting the fruit from variety constituents, the multiplication of which is subject to the breeder’s authorisation’ (emphasis added).<sup>456</sup>

Like the court, the Advocate General considered the purpose of the ‘harvested material’ extension:

The purpose of that scheme is to enable the breeder to assert his rights over the fruit produced from the protected variety constituents where the latter has not been able to bring proceedings against the person who has effected an act [being production or reproduction; conditioning; offering for sale; selling or other marketing; exporting; importing; stocking for any of those purposes] in respect of the variety constituents themselves.<sup>457</sup>

The argument made by the community plant variety right owner was that planting mandarin trees and then harvesting fruit was ‘unauthorised use’ even though that concept only applies after the grant of the plant variety right.<sup>458</sup> The Advocate General rejected this drawing a distinction between *before* and *after* the grant.<sup>459</sup> Before the grant there was no production of the variety because there was only ‘vegetative propagation (by grafting, *inter alia*) and the multiplication of variety constituents through the generation of new genetic material’ (footnotes excluded),<sup>460</sup> and that did not require ‘authorisation’ so there was, consequently, no ‘unauthorised use’.<sup>461</sup> After the grant, and importantly for our analysis, the community plant variety right owner argued that ‘unauthorised use’ is any protected rights ‘effected without the consent of the breeder’.<sup>462</sup> The Advocate General rejected this:

the concept of ‘unauthorised use’ seems to me to have meaning only to the extent that one of the acts [being production or reproduction; conditioning; offering for sale; selling or other marketing; exporting; importing; and stocking for any of those purposes] has been effected in respect of the variety constituents without the consent of the breeder *even though his authorisation was required*. It is only when the requirement to obtain the consent of the breeder has not been met that the latter may assert his rights over the harvested material (emphasis in original).<sup>463</sup>

The Advocate General concluded that the planting and fruit harvesting for those plants planted before the grant did not require ‘authorisation’ and so there could be no ‘unauthorised use’, even after the grant.<sup>464</sup> This was because the ‘authorisation’ (consent)

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<sup>455</sup> Ibid., [35]-[36].

<sup>456</sup> Ibid., [34] citing UPOV Publication No. 346(E), above n. 48, [1529.2], [1529.3] and [1543].

<sup>457</sup> *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), *ibid.*, [40] citing UPOV Publication No. 346(E), *ibid.*, [915]-[934].

<sup>458</sup> *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), *ibid.*, [43].

<sup>459</sup> Ibid., [35]-[36] and [43]-[44].

<sup>460</sup> Ibid., [31].

<sup>461</sup> Ibid., [28]-[29], [44] and [51].

<sup>462</sup> Ibid., [46].

<sup>463</sup> Ibid., [46].

<sup>464</sup> Ibid., [62].



was for the acts of the protected rights to production or reproduction, conditioning, offering for sale, selling or other marketing, exporting, importing and stocking for any of those purposes, and that required a grant.<sup>465</sup> This is also consistent with UPOV explanatory notes that limited ‘unauthorised use’ to the protected acts of ‘Article 14(1) of the [UPOV 1991]’<sup>466</sup> that were endorsed by the Advocate General<sup>467</sup> and possibly endorsed and applied in the court decision.<sup>468</sup>

If this reasoning is correct, then there is a dissonance between the term ‘authorisation’ in respect of ‘harvested material’ (and the products of ‘harvested material’) and exhaustion in the *Plant Breeder’s Rights Act 1994* (Cth).<sup>469</sup> The term ‘consent’ is used more broadly in the *Plant Breeder’s Rights Act 1994* (Cth) for certain names of plant varieties<sup>470</sup> and the grace period for sales and recent exploitation before an application<sup>471</sup> that involve more than consenting to the PBR’s protected acts. Further, consent at the time of first sale exhaustion is also subject to a broad array of property interests that are capable of transmission by assignment, operation of law and will.<sup>472</sup> That consenting also involve more than to the PBR’s protected acts such as the quantities and qualities of plants, geographical limitations, dispute settlement, and so on.<sup>473</sup> This shows that what will constitute consent will depend on the circumstances of any dealings (particularly the first sale where the exhaustion doctrine will apply: see **§5.1**) and indicates a permission from the PBR owner. This also means that if ‘authorisation’ and ‘consent’ have a similar meaning under the *Plant Breeder’s Rights Act 1994* (Cth) then this is different to the UPOV 1991 ideal of to the PBR’s protected acts. The current UPOV negotiation of amendments to the explanatory materials may address this limitation.<sup>474</sup>

In summary, the ‘authorisation’ required to avoid the cascading extension of the PBR under the *Plant Breeder’s Rights Act 1994* (Cth) is determined as a question of fact and may currently be framed around the protected acts of the ‘exclusive rights’. There is no bright line standard of necessary authorisation as this will depend on the circumstances of each matter. This is, however, problematic because the protected acts of the ‘exclusive rights’ does not include the authorisation to use the PBR’ed variety where infringement is not in issue. For example, importing ‘harvested material’ such as cut flowers or fruit from another country outside Australia that does not protect that variety to compete against the cut flowers or fruit that is PBR’ed in Australia may not infringe as so would not require authorisation. If ‘harvested material’ that is also ‘propagating material’ is considered to be ‘propagating material’ *per se* then cut flowers or fruit that is PBR’ed in Australia would be infringing (see **§5.1**). This requires clarification.

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<sup>465</sup> Ibid., [55]-[61].

<sup>466</sup> UPOV/EXN/HRV/1, above n. 28, [4]. See also UPOV/INF/6/5, above n. 287, p. 56.

<sup>467</sup> *Club de Variedades* Case C-176/18 (Saugmandsgaard Øe), above n. 33, [54].

<sup>468</sup> *Club de Variedades* Case C-176/18 (Xuereb *et al.*), above n. 33, [41].

<sup>469</sup> See *Plant Breeder’s Rights Act 1994* (Cth) ss. 14(1)(a) (‘authorisation’), 15(a) (‘authorisation’) and 23(1) (‘consent’).

<sup>470</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 27(7).

<sup>471</sup> *Plant Breeder’s Rights Act 1994* (Cth) ss. 43(5) and (6).

<sup>472</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 20(1).

<sup>473</sup> See Würtenberger *et al.*, above n. 242, §6.105.

<sup>474</sup> See WG-HRV/2/1 above n. 29.

### **Recommendation 5**

The Australian Government should advocate at UPOV to amend the UPOV ‘harvested material’ explanatory note to clarify that ‘unauthorised use’ means that the permission of the PBR owner has not been obtained for any use of the ‘propagating material’ for growing a harvest of ‘harvested material’ or the products of ‘harvested material’ rather than just authorising the acts of the PBR’s ‘exclusive rights’.

### **Recommendation 6**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of authorisation required for extending PBRs to ‘harvested material’ and products of ‘harvested material’. This might be case studies, information sheets, and so on.

**Problem:** There is some uncertainty about whether the ‘authorisation’ in dealing with ‘propagating material’ that results in ‘harvested material’ is limited to only authorising the acts that would otherwise be infringement. This is problematic as many of the permissions PBR owners are concerned about, such as the quantities and qualities of plants, are not within the bounds of the acts that would otherwise be infringement.

**Preferred solution:** The Australian Government advocate at UPOV to amend the ‘harvested material’ explanatory note clarifying that ‘unauthorised use’ means the broader permission of the PBR owner and not the more limited authorising the acts that would otherwise be infringement. Once that has been done, then prepared explanatory materials to assist PBR stakeholders understanding the practical effects of these developments at UPOV and how this applies under the *Plant Breeder’s Rights Act 1994* (Cth).

**Benefits:** Clarity for PBR stakeholders that in their dealings with ‘harvested material’ and the products of ‘harvested material’, that does not include ‘propagating material’ *per se*, they can determine the permission including whatever factors they consider appropriate for their circumstances, and not just the narrow acts that would otherwise be infringement.

**Costs:** The costs are likely to be minimal as the current arrangements after the confusing decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* have required most PBR owners to clarify their dealings in complicated contracts. Uncertainty about the kinds of effective authorisations in dealings involving ‘harvested material’ and the products of ‘harvested material’ adds more complexity to those contracts. Clarifying the kinds of effective authorisations should avoid some of that complexity with PBR owners more certain about what it is they are actually authorising.

### **5.3 The concept of ‘reasonable opportunity’**

One of the key thresholds for engaging the extension of the *Plant Breeder’s Rights Act 1994* (Cth) ‘exclusive rights’ to ‘harvested material’ is that ‘the grantee does not have a reasonable opportunity to exercise the grantee’s right in relation to the propagating material’.<sup>475</sup> This reflects a similar threshold in UPOV 1991 that provides ‘unless the breeder has had

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<sup>475</sup> *Plant Breeder’s Rights Act 1994* (Cth) s. 14(1)(b).

reasonable opportunity to exercise his right in relation to the said propagating material'.<sup>476</sup> The question is what does 'reasonable opportunity' mean?

During the UPOV 1991 negotiations there were two main proposals addressing 'reasonable opportunity'. The basic proposal that formed the basis of negotiations had been 'the breeder has had no legal possibility of exercising his right in relation to the propagating material'.<sup>477</sup> The first proposed amendment was to include the threshold 'in spite of all *due care* required by the circumstances, the breeder could not exercise his right in relation to any of the acts concerning the propagating material of the protected variety' (emphasis added).<sup>478</sup> The other proposed amendment was to limit the threshold to where 'the breeder could not exercise his right'<sup>479</sup> or 'the breeder has had no legal possibility of exercising his right'.<sup>480</sup> These proposed amendments were both considered by the Working Group on Article 14(1)(a) and (b) and eventually rejected because the concept of 'due care' was considered to be captured by the word 'reasonable' in 'reasonable opportunity'<sup>481</sup> and that the final text suitably addressed the circumstances of an ability to exercise a right with 'reasonable opportunity'.<sup>482</sup> The UPOV negotiators did not then provide any further insights into what might constitute a 'reasonable opportunity', although the industry participants were clear that the final provision:

did no more than to give the breeder an indirect means – through the cut flower or fruit – of controlling after the act any propagating material that had escaped his control under Article 14(1)(a). It did not afford protection to cut flowers or to fruit as was demanded by the breeders concerned.<sup>483</sup>

Some guidance for what 'reasonable opportunity' might mean was provided by the Federal Court in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*.<sup>484</sup> Recall there a PBR'ed barley variety was made available to growers to grow (G0) and harvest (G1), including second and subsequent generations harvested from lawfully farm-saved seed (G2+), and delivered to Grain Pool.<sup>485</sup> The PBR holders, the State of Tasmania and its licensee Cultivaust, accepted that the supply of seed to the growers (G0) authorized through an implied licence<sup>486</sup> the first growing and harvest (G1).<sup>487</sup> Where seeds were saved by growers and grown for a second generation (G2), they could be conditioned and reproduced a further harvest with the farm-saved seed exemption.<sup>488</sup> Where, however, a harvest was produced for sale from those saved seeds (G2 and G2+), a PBR extended to those seeds if, in part, the PBR holder had a 'reasonable opportunity' to exercise its PBR in relation to the 'propagating material' (presumably G0).<sup>489</sup>

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<sup>476</sup> UPOV 1991, Art. 14(2).

<sup>477</sup> UPOV Publication No. 346(E), above n. 48, p. 30.

<sup>478</sup> *Ibid.*, p. 120 (Japan, DC/91/61).

<sup>479</sup> *Ibid.*, p. 120 (Japan, DC/91/61).

<sup>480</sup> *Ibid.*, p. 128 (Spain, DC/91/82).

<sup>481</sup> *Ibid.*, p. 146 ([15]).

<sup>482</sup> *Ibid.*, p. 145 ([13]).

<sup>483</sup> *Ibid.*, p. 404 ([1534.3]).

<sup>484</sup> (2004) 62 IPR 11 (Mansfield J).

<sup>485</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [179]-[180] (Mansfield J).

<sup>486</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [162], [186], [192], [203] and [210] (Mansfield J).

<sup>487</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [186] (Mansfield J).

<sup>488</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [187] (Mansfield J). See also *Plant Breeder's Rights Act 1994* (Cth) ss. 17(1)(d) and (e).

<sup>489</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [189]-[190] (Mansfield J). See also *Plant Breeder's Rights Act 1994* (Cth) ss. 14(1)(a) and (b).

The question then was whether the State of Tasmania and its licensee Cultivaust had a 'reasonable opportunity', and this was a question of fact?<sup>490</sup>

On the facts in *Cultivaust Pty Ltd v Grain Pool Pty Ltd*, Justice Mansfield found the State of Tasmania and Cultivaust as the PBR holders knew both that growers were saving seeds for future harvests for sale and export and that a PBR applied to those materials and could have been subjected to conditions at the point of original sale.<sup>491</sup> This meant that the PBR holders, the State of Tasmania and Cultivaust, had had a 'reasonable opportunity' to exercise their PBR but failed to take up that opportunity against the growers.<sup>492</sup> As there had been a 'reasonable opportunity' to exercise their PBR then the PBR's 'exclusive rights' did not extend to the 'harvested material' of second and subsequent generations.<sup>493</sup> The outcome was to find that Grain Pool had not infringed the State of Tasmania's and Cultivaust's PBR because there was 'a reasonable opportunity to exercise [State of Tasmania's] PBR in relation to the propagating material leading to each harvest and so s. 11 does not operate as if the harvested material were propagating material'.<sup>494</sup>

As the decision in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* shows, what is a 'reasonable opportunity' will depend on the circumstances at the time of the dealing with the initial variety (G0) and the harvest of that initial variety (G1).<sup>495</sup> This will be a matter for judgement in the circumstances. Should this be changed to give greater certainty to PBR holders? As the facts in *Cultivaust Pty Ltd v Grain Pool Pty Ltd* showed, both the State of Tasmania and Cultivaust considered that they did not need to engage with the growers because they thought they could impose their PBR 'exclusive rights' in infringement proceedings against Grain Pool.<sup>496</sup> This proved wrong because they had their 'reasonable opportunity' to impose conditions on the original sale to the growers even though their intention had been to recover their royalty as a levy or EPR against Grain Pool.<sup>497</sup> Perhaps importantly, on appeal to the Full Federal Court on another issue,<sup>498</sup> the court opined that the primary judge's characterisation of the PBR owner's rights to seek a remedy might have confused the exercising and enforcing of PBRs and that this meant the 'it should not be thought that his Honour's view [about a "reasonable opportunity"] would necessarily be endorsed if the question arises in the future'.<sup>499</sup> Exactly what this might mean was not addressed further. Perhaps it means that the PBR owners seeking to recover a levy or EPR from Grain Pool rather than the growers was that they did not have a 'reasonable opportunity' to exercise their rights. This seems credible because the State of Tasmania and Cultivaust very clearly sought an agreement for a levy or EPR with Grain Pool and dealt with the growers in anticipation of that outcome.<sup>500</sup> This specifically included facsimile communications in writing from Cultivaust that '[s]eed is made available for sowing in Western Australia on the proviso that an end product levy system as

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<sup>490</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [191] (Mansfield J).

<sup>491</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] (Mansfield J).

<sup>492</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>493</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199]-[200] (Mansfield J).

<sup>494</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>495</sup> 'Neither Tasmania nor Cultivaust took up that opportunity': *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [199] (Mansfield J).

<sup>496</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [8] (Mansfield J).

<sup>497</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [197] and [199] (Mansfield J).

<sup>498</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [1] (Finn, Emmett and Bennett JJ).

<sup>499</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2005) 67 IPR 162, [57] (Finn, Emmett and Bennett JJ).

<sup>500</sup> See *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [34], [48], [84], [ (Mansfield J).

explained can be established'.<sup>501</sup> The State of Tasmania and Cultivaust wanted a royalty and their expectation and affairs were set up for that to be a levy or EPR, and that was their 'reasonable opportunity' to exercise their PBR. Absent the levy or EPR from Grain Pool and there is no 'reasonable opportunity'?

And this might be different again if the first sale exhaustion doctrine adopted by a majority of the High Court in the context of patents in *Calidad Pty Ltd v Seiko Epson Corporation*<sup>502</sup> applied to the *Plant Breeder's Rights Act 1994* (Cth) and if 'harvested material' that is also 'propagating material' was 'propagating material' *per se* rather than 'harvested material' deemed to be 'propagating material' (see **§5.1**). In those circumstances, where the 'harvested material' that is also 'propagating material' is dealt with as 'propagating material' *per se* for the the *Plant Breeder's Rights Act 1994* (Cth), then the 'reasonable opportunity' would only apply to 'harvested material' and not 'propagating material' *per se*. And in those circumstances a 'reasonable opportunity' threshold to engage cascading PBR 'exclusive rights' may be appropriate.

ACIP also addressed a 'reasonable opportunity' (see **§2.5**).<sup>503</sup> ACIP identified the concern as an uncertainty about what constituted a 'reasonable opportunity', the burden of proving 'reasonable opportunity', how this applied to materials harvested from farm-saved seeds and how to deal with 'harvested material' deemed 'propagating material' and 'propagating material' *per se*.<sup>504</sup> ACIP recommended that no changes be made to the current *Plant Breeder's Rights Act 1994* (Cth),<sup>505</sup> noting that removing the 'reasonable opportunity' standard might be inconsistent with UPOV 1991.<sup>506</sup> For ACIP, the meaning of 'reasonable opportunity' and the burden of proving 'reasonable opportunity', which ACIP considered was best addressed by the opinion of an expert panel, but not through reversing the onus of proof (so not putting the burden on the user or purchaser to show the PBR owner *did have* a reasonable opportunity to exercise their PBR).<sup>507</sup> The result was that ACIP informally recommended information and education programs to enhance the education and awareness of PBR stakeholders and that experts<sup>508</sup> provide 'further elaboration and/or guidance'.<sup>509</sup> The Australian Government response to ACIP was to agree that '[n]o changes be made to extended rights under [ss] 14 and 15'.<sup>510</sup> That position is endorsed with the acceptance of the exhaustion doctrine.

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<sup>501</sup> *Cultivaust Pty Ltd v Grain Pool Pty Ltd* (2004) 62 IPR 11, [84] (Mansfield J).

<sup>502</sup> *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 155 IPR 381, [71]-[84] (Kiefel CJ, Bell and Keane JJ) and [114]-[141] (Gageler J).

<sup>503</sup> ACIP – Review of Enforcement, above n. 14, pp. 43-49.

<sup>504</sup> *Ibid.*, p. 45. See also *Plant Breeder's Rights Act 1994* (Cth) ss. 11, 14 and 15.

<sup>505</sup> *Ibid.*, p. 49 (Recommendation 3).

<sup>506</sup> *Ibid.*, p. 49.

<sup>507</sup> *Ibid.*, p. 49.

<sup>508</sup> The Australian Government response was 'The Government considers that the [Plant Breeder's Rights Advisory Committee] is able to perform the functions of the Expert Panel as recommended by ACIP': Australian Government Response – Enforcement, above n. 166, [12].

<sup>509</sup> ACIP – Review of Enforcement, above n. 14, p. 49.

<sup>510</sup> Australian Government Response – Enforcement, above n. 166, [3]. See also ACIP – Review of Enforcement, *ibid.*, p. 49.

### **Recommendation 7**

The Australian Government should make no changes to the the ‘reasonable opportunity’ threshold in the *Plant Breeder’s Rights Act 1994* (Cth).

### **Recommendation 8**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of the ‘reasonable opportunity’ threshold. This might be explanatory materials, case studies, information sheets, and so on.

**Problem:** Uncertainty about the meaning of the term ‘reasonable opportunity’ in the threshold that applies only to ‘harvested material’ and the products of ‘harvested material’.

**Preferred solution:** There should be no change to the current *Plant Breeder’s Rights Act 1994* (Cth). The proposed changes to accepting that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder’s Rights Act 1994* (Cth) and that ‘harvested material’ that is also ‘propagating material’ is considered as ‘propagating material’ *per se* will limit this problem. And then the best solution is explanatory materials to assist the PBR stakeholders understanding the practical effects of the ‘reasonable opportunity’ threshold.

**Benefits:** The ‘reasonable opportunity’ threshold is a requirement of UPOV and so the benefits are from the most efficient and effective implementation of the UPOV standard. As such clarifying that the exhaustion doctrine as articulated by the High Court in *Calidad Pty Ltd v Seiko Epson Corporation* applies to the *Plant Breeder’s Rights Act 1994* (Cth) and following an amendment that clarifies that ‘harvested material’ that is also ‘propagating material’ is considered as ‘propagating material’ *per se*, the problem of the ‘reasonable opportunity’ threshold will apply narrowly only to ‘harvested material’ and the products of ‘harvested material’ that is not ‘propagating material’ *per se*. Then explanatory materials to assist the PBR stakeholders understanding the practical effects of the threshold will further clarify the obligations.

**Costs:** The costs of the current uncertainty about the ‘reasonable opportunity’ threshold are unclear, although they are likely to be minimal as most PBR owners have carefully developed contracting practices in place to protect their interests that address many of these uncertainties.

### **5.4 A ‘purchase right’**

A concern addressed by ACIP was the focus on the ‘exclusive rights’ that apply to ‘propagating material’ that did not necessarily suit the needs of all sectors, such as the ornamental and horticultural sectors. There the value was in the ‘harvested material’ as pot plants, cut flowers and fruits and forest products and collecting royalties at that stage was complicated.<sup>511</sup> A similar concern applies for grains and EPRs, where some of the harvest is fed to livestock.<sup>512</sup> The concern here was not about the ‘harvested material’ also being ‘propagating material’

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<sup>511</sup> ACIP – Review of Enforcement, *ibid*, p. 35.

<sup>512</sup> *Ibid.*, p. 36.

(see §5.1), but rather that the ‘exclusive rights’ were focused on the ‘propagating material’ rather than the ‘harvested material’, and the existing extension of the ‘exclusive rights’ to ‘harvested material’ was not adequate.<sup>513</sup> ACIP considered a ‘use’ right might be added to the existing ‘exclusive rights’ so that PBR owners could obtain royalties from any uses of ‘propagating material’ and ‘harvested material’, such as ‘feedlots, millers, ethanol producers, juice manufacturers and perhaps accumulators’.<sup>514</sup> ACIP also considered a ‘purchase’ right whereby any purchasers would require a licence from the PBR owner that would clearly identify users and facilitate PBR owners obtaining royalties from users.<sup>515</sup> After considering the matter and the potential to address many of the concerns about ‘propagating material’ and ‘harvested material’, ACIP considered that this was not warranted for a ‘use’ rights because that would ‘be too broad and not in proportion to the level of innovation’.<sup>516</sup> ACIP did, however, consider a ‘purchase’ right ‘should be granted ... if it is clear that a purchase right is needed to encourage breeding in that sector’,<sup>517</sup> although this was a matter for the Australian Government with ACIP expressing the view that ‘whether a variety deserves access to a new purchase right should be an administrative decision by IP Australia which is appealable to the Administrative Appeals Tribunal’.<sup>518</sup> ACIP concluded by recommending:

new ‘purchase’ right be added to s. 11. This new right would only apply to those taxa that are specifically declared in the regulations. Industry sectors such as wheat breeders would apply to the PBR Office to have particular taxa so declared.<sup>519</sup>

If the recent High Court decision in the context of patents in *Calidad Pty Ltd v Seiko Epson Corporation* where the majority decided in favour of the exhaustion doctrine applied to the *Plant Breeder’s Rights Act 1994* (Cth), then the first sale would exhaust the PBR with any following conditions imposed and enforced only through contract, equity and consumer law (see §5.1). The policy question is whether the ‘exclusive rights’ that apply to the new embodiments of the PBR’ed variety are appropriate? The Australian Government’s response to the ACIP recommendation for a ‘purchase’ right was that such a right was not necessary as there were ‘alternative, contract-based ways which plant breeders can use to address issues of concern in particular sectors’.<sup>520</sup> The exhaustion on first sale perhaps corroborates the Australian Government’s response to the ACIP recommendation for a ‘purchase’ right. In the alternative, however, this may have missed the point. The specific and ongoing concern of the grains industry about transactions that are currently problematic including direct users of harvested grains such as on-farm storage by growers, feeding livestock on farm, processing plants, feed lots, millers, maltsters and ethanol producers, and the specific ongoing concerns of the ornamental and horticulture sectors about transactions that are currently problematic including the sale of pot plants, cut flowers and fruit. These are, and by all reports also remain problematic circumstances for enforcement because the specific transactions are generally unknown to the PBR holder. While a ‘purchase’ right may not entirely resolve the concern, it will ensure that purchasers of plant materials are more aware that they need to be careful about the material’s provenance for the particular identified taxa.

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<sup>513</sup> See *ibid.*, p. 35.

<sup>514</sup> *Ibid.*, pp. 36-37.

<sup>515</sup> *Ibid.*, pp. 37-38.

<sup>516</sup> *Ibid.*, p. 40.

<sup>517</sup> *Ibid.*, p. 41.

<sup>518</sup> *Ibid.*, pp. 41-42.

<sup>519</sup> *Ibid.*, p. 42.

<sup>520</sup> Australian Government Response – Enforcement, above n. 166, [1].

### **Recommendation 9**

The Australian Government should amend the *Plant Breeder's Rights Act 1994* (Cth) s. 11 to include a 'purchase right' among the 'exclusive rights' of a PBR and this should only apply to taxa declared by the *Plant Breeder's Rights Regulations 1994* (Cth).

### **Recommendation 10**

IP Australia should prepare explanatory materials to assist the PBR stakeholders, including small and medium enterprises, understanding the practical effects of these amendments. This might be explanatory materials, case studies, information sheets, and so on.

**Problem:** The policy problem is whether the 'exclusive rights' that apply to the new embodiments of the PBR'ed variety are appropriate where the PBR owner passing on the PBR'ed variety (G0) is a step removed from the propagated or reproduced PBR'ed variety entering the market (especially G2+)?

**Preferred solution:** This matter was raised in many of our consultations or discussions and particularly by the grains sector. As such, there is an imperative to consider change. The preferred solution is an amendment to the *Plant Breeder's Rights Act 1994* (Cth) 'exclusive rights' as recommended by ACIP as 'purchase the material' and only applying to taxa declared by the *Plant Breeder's Rights Regulations 1994* (Cth).<sup>521</sup> As the purchase right would only apply to taxa declared by the *Plant Breeder's Rights Regulations 1994* (Cth) this will require PBR owners to make their case according to the particular circumstances of their taxa and its commercialisation. This will target the measure to specific sectors where they can demonstrate a need. IP Australia should also prepare explanatory materials to assist the PBR stakeholders in understanding the practical effects of this amendment.

**Benefits:** The benefits are increased royalty collections for PBR owners, particularly the grains and ornamental and horticulture sectors that are majority private businesses and dependent on royalties for their breeding operations.

**Costs:** The costs of a 'purchase right' is that a range of those using PBR'ed varieties will be required to pay a royalty for that use where previously they did not, particularly the grains and ornamental and horticulture sectors, and this will be an increased costs for those users, and perhaps the costs passed on to final consumers of plant materials and services.

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<sup>521</sup> ACIP – Review of Enforcement, above n. 14, p. 42.



## **Part 6: Final words**

The UPOV 1991 ideal was to extend the reach of variety rights to capture the harvest and products of the harvest where the right owner has been unable to appropriately exploit their right. The *Plant Breeder's Rights Act 1994* (Cth) puts this into effect. Unfortunately, there are uncertainties about how this has been done, including the apparent overlap between 'propagating material' and 'harvested material', and the threshold for extending PBRs of 'authorisation' and 'reasonable opportunity'. There are clear solutions to some of these matters, although as always, the solutions will never be perfect in every aspect there is a balance to be found between the interests of PBR owners and the broader public. The recommendations set out in this report as the basis for finding those appropriate solutions with minor amendments to the *Plant Breeder's Rights Act 1994* (Cth) and a program of preparing explanatory materials to assist PBR stakeholders.

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## Attachment 1

Community plant variety right under the *Council Regulation (EC) No 2100/94 of 27 July 1994 on community plant variety rights*:

### Article 5(3):

['Variety constituents' means a] plant grouping consists of entire plants or parts of plants as far as such parts are capable of producing entire plants ...

### Article 13:

1. A community plant variety right shall have the effect that the holder or holders of the community plant variety right, hereinafter referred to as 'the holder', shall be entitled to effect the acts set out in paragraph 2.
2. Without prejudice to the provisions of Articles 15 and 16, the following acts in respect of variety constituents, or harvested material of the protected variety, both referred to hereinafter as 'material', shall require the authorization of the holder:
  - (a) production or reproduction (multiplication);
  - (b) conditioning for the purpose of propagation;
  - (c) offering for sale;
  - (d) selling or other marketing;
  - (e) exporting from the Community;
  - (f) importing to the Community;
  - (g) stocking for any of the purposes mentioned in (a) to (f).The holder may make his authorization subject to conditions and limitations.
3. The provisions of paragraph 2 shall apply in respect of harvested material only if this was obtained through the unauthorized use of variety constituents of the protected variety, and unless the holder has had reasonable opportunity to exercise his right in relation to the said variety constituents.