

11 September 2019

Corporate Governance and Intellectual Property Policy Building
Resources and Markets
Ministry of Business, Innovation & Employment
Wellington

By email: PVRActReview@mbie.govt.nz

RE: Options Paper: Review of the Plant Variety Rights Act 1987

The New Zealand Law Society welcomes the opportunity to comment on the Options Paper, *Review of the Plant Variety Rights Act 1987* (options paper). The Law Society's Intellectual Property Law Committee has considered the options paper. The committee has not responded to some questions in the discussion paper that relate to policy matters outside the Law Society's remit and expertise. Responses to the remaining questions are set out below.

Objectives of the PVR Act

Q1: *Do you have any further comment to make on the objectives of the PVR Act?*

The Law Society does not have any comment to make on this section of the options paper other than that (in conformity with the Patents Act 2013) there should be a "purposes" section, rather than an "objectives" section. Section 5 of the Interpretation Act 1999 provides that the meaning of an Act is to be ascertained from its text and in light of its *purpose*.

Meeting our CPTPP obligations

Q2: *Do you agree with our analysis and conclusion of the CPTPP options? If not, why not?*

This section of the options paper gives more emphasis to New Zealand's obligations under the Treaty of Waitangi than to its CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) obligations. The CPTPP Annex 18-A is an exception to the general obligation to have a PVR law that is fully compliant with UPOV 91. Any proposed exception must be tested against the Annex 18-A requirement that it is a "*measure ... deem[ed] necessary to protect indigenous plant species in fulfilment of ... obligations under the Treaty of Waitangi, provided that such measures are not used as a means of arbitrary or unjustified discrimination against a person of another Party.*"

The proviso needs to be considered in respect of plant varieties indigenous to New Zealand but bred outside New Zealand. If an exception clause for a variety of a taonga species were to include indigenous varieties that have been bred outside New Zealand from plants that have in the past been exported from New Zealand or which grow naturally outside New Zealand, the exclusion might be regarded "as a means of arbitrary or unjustified discrimination against a person of another Party."

Paragraph 42 notes but does not address whether New Zealand can continue to fulfill its obligations under UPOV 78. Article 6(2) of UPOV 78 reads:

“Provided that the breeder shall have complied with the formalities provided for by the national law of the member of the State of the Union in which the application for protection has been filed ... the grant of protection may not be made subject to conditions other than those set forth above.”

The conditions on article 6(1) are the usual UPOV requirements that to be eligible for protection a variety must be: new, distinct, uniform and stable. Refusing a grant on the ground that to make a grant would be contrary to the Treaty of Waitangi would not conform to UPOV 78.

The suggestion in paragraph 42 that the proposed changes would comply with UPOV 78 because that version of UPOV does not require the provisions to be extended to all plant genera and species is a misunderstanding of UPOV 78. Article 4(2) of UPOV 78 requires all members “to adopt all measures necessary for the progressive application of the provisions of this Convention to the largest possible number of botanical genera and species.” The 1987 PVR Act has from its commencement applied to all botanical genera or species except algae and bacteria. To exclude varieties of taonga species to conform to the Treaty of Waitangi would not be a “progressive application” to all species. It would not conform to Article 4(2) of UPOV 78.

While non-conformity with UPOV 78 might not be in breach of CPTPP it would not conform to the constitutional convention that New Zealand’s domestic laws should conform to its international obligations.

Treaty compliance – criteria for analysis

Q3: *Do you agree with the criteria that we have identified? Do you agree with the weighting we have given the criteria? If not, why not?*

The Law Society offers no comment on this policy-based question.

Treaty compliance – key terms

Q4(a): *Do you agree with our proposed approach to these key terms?*

The Law Society offers no comment on this policy-based question.

Q4(b): *Do you have any comments on the principles listed above and how they might apply in practice? For example, would it be useful to specifically list non-indigenous species of significance?*

The Law Society offers no comment on the principles question.

However, in the interests of certainty the species that fall into each category should be prescribed, preferably in regulations. Paragraphs 105 to 109 of the options paper propose detailed engagement requirements, but breeders need to have advanced knowledge of at least which species are involved in order to comply. As noted in paragraphs 129 to 133 of the options paper, the proposals introduce considerable uncertainties to breeders.

As well, the Law Society notes that PVR legislation grants breeders of new varieties the right to exclude others from exploiting protected varieties. It is not a licensing scheme that breeders have to comply with before they can market new varieties themselves. If a breeder chooses not to seek PVR protection for a new variety of a taonga species, there is nothing in the PVR regime to stop them from marketing that new variety without regard to kaitiaki interests. Similarly, a refusal of a PVR grant would not stop a breeder from marketing the new variety. It would only mean they did not have the exclusive right to do so. Such varieties might be sold under trade marks that met the eligibility requirements of the Trade Marks Act 2002.

This consideration was perhaps being alluded to in paragraph 99 of the options paper.

Treaty compliance – options analysis

Q5: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society offers no comment on the proposed options, except to note that all intellectual property statutes have historically vested all decision-making powers in the relevant Commissioner or Assistant Commissioners. It is an untested idea to give decision-making powers to another person. That will mean the process for appointment of that person will need to be carefully scrutinised.

However, further consideration needs to be given to what happens if the Commissioner and the Chair do not reach a consensus on any application. Would this be decided by a hearing? Would there be a right to a hearing (as in section 208 of the Patents Act 2013) in the event of a refusal or a condition the applicant did not agree with? If so, who would be the hearing officer?

Paragraph 120 of the options paper appears to acknowledge the need to answer these questions.

UPOV 91 alignment – criteria for analysis

Q6: *Do you have any comment to make about our approach to, and criteria for, the preliminary options analysis in this paper?*

The Law Society agrees with the three criteria set out in paragraph 138, but points out that there is a fourth criterion, eligibility, that should also be considered. There are four eligibility requirements under all UPOV treaties: novelty, distinctness, uniformity and stability.

Subsections 10(4) – (8) of the 1987 PVR Act correspond to articles 5 to 9 of UPOV 91. The preferred option to comply with the Treaty of Waitangi is not (as noted) in compliance with Article 5(2) of UPOV 91.

Subsections 10(4)(a), (6) and (7) of the 1987 PVR Act correspond to article 6(1) of UPOV 91 defining novelty. However, the exception to a prejudicial prior sale in Article 6(1) is based on the general principle that any disposal must not have been for the purpose of exploitation of the variety. Subsections 10(6) and (7) are highly prescriptive and probably include some examples of the general principle of exploitation in article 6, but they may not include all. The Law Society suggests that rather than the 1987 Act's prescriptive approach, the new Act provides what Article 6(1) does.

Subsections 10(4)(b) and (8), defining distinctness, mirror article 7 of UPOV 91. Subsection 10(8) is a non-limiting example of how a variety may be distinct. The Law Society recommends that these subsections remain. However, Article 7 of UPOV 91 goes on to define what constitutes a "variety of common knowledge." Article 7 deems the filing of a PVR application to establish the variety as one of common knowledge from the date of filing of the application, provided that the application matures to a grant. This should be reflected in a definition of "distinctness" either in the new Act or the new regulations.

The definition of "uniformity" in subsection 10(5) of the PVR Act 1987 is consistent with Article 8 of UPOV 91, apart from the use of the word "homogenous".

The definition of "stable" in subsection 10(1)(c) is consistent with Article 9 of UPOV 91.

Definitions – breed

Q7: *Our preferred option is to incorporate the definition of “breed” that was considered in the previous review to address concerns around discovery of varieties in the wild.*

Do you agree? If not, why not?

The Law Society agrees with the definition of “breed”. In defining “owner” or “breeder” in drafting the new Act, care should be taken to ensure that the definition includes the possibility that there may be two or more breeders, one of whom “discovered” a variety and another who carried out “the process of propagation and evaluation so as to enable the development of the variety.”

Definitions – general

Q8: *Do you have any comments on the definitional issues discussed in this Part?*

The Law Society agrees with the principle that definitions in the Act should reflect the definitions in UPOV 91.

Scope of the breeder’s right

Q9: *Do you have any comments about these new rights required by UPOV91?*

The Law Society has no comment to make about the new discussion of the new rights.

Exceptions to the breeder’s right

Q10: *Do you have any comments about the exceptions required by UPOV91?*

The Law Society agrees with the proposal to use the exceptions wording of UPOV 91.

Term of the right

Q11: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society takes no position on the length of the term of protection, which is a general policy issue.

Essentially derived varieties

Q12: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society agrees that the options set out are the available possibilities. We also agree that the objective of having an EDV regime is to prevent breeders who make trivial modifications to protected varieties to thereby avoid infringing the PVR grant for the protected variety.

All of this was known to the drafters of the UPOV 91 text and the compromise that they came up with is reflected in the text of Article 14(5). The UPOV administration has published an explanatory note¹ on EDVs about how the provisions of UPOV 91 were arrived at and how they are intended to be interpreted. The interpretation of EDVs should be guided by those notes. It is suggested that it would be better to base the definition of EDVs on the guidance of the international experts at UPOV based on their collective 25-plus years of experience rather than proposing to draft a new definition – as seems to be the case with option 2. The Law Society therefore submits that the preferred option is

¹ *Explanatory Notes on Essentially Derived Varieties Under the 1991 Act of the UPOV Convention*, UPOV Council 17 April 2017: https://www.upov.int/edocs/expndocs/en/upov_exn_edv.pdf

option 1.

The uncertainty over an EDV regime arises, not so much with the wording of the legislation, but in the way that the legislation is implemented. It is far more important for certainty that there be a clear procedure to determine if a variety is an EDV, rather than focusing on the minutiae of how the EDV relationship is defined. That procedure should be conducted by the PVR Office, which is the only neutral body with the expertise to make the determination. The costs of the procedure should be borne by the parties with fees set by the regulations.

Paragraphs 235 to 237 of the options paper state that the PVR Office should have no role in assessing EDVs because it does not have the expertise to do so. This misunderstands the role of the PVR Office. The main role of the PVR Office is to determine if a candidate variety in an application is distinct from other varieties of common knowledge, is uniform and is stable. If the Office has the expertise to make this determination it is difficult to see why it cannot use the same expertise to determine if a variety is an EDV.

Paragraph 236 suggests that the PVR Commissioner might be liable for costs if her or his decision were reversed. But that concern is based on an assumption that the Commissioner would have an investigative role in determining if any variety is an EDV. It is submitted that it should be up to the owner of a PVR grant to police EDVs. The most expensive way of doing that is to start an infringement action alleging that the competing variety is an EDV and therefore an infringement. However, if the Commissioner were to be given the power to determine an application by a grant owner that a competing variety was an EDV, that would achieve the same result as an infringement action at a much lesser cost to both parties (because such a proceeding would be between two parties, and the losing party would bear the costs – not the Commissioner).

The objective of limiting copycat varieties from free riding could be spelled out as one of the purposes of the Act in the purposes section. Guidelines could also be implemented to assist both the PVR Office and breeders in determining if a variety is an EDV. Such guidelines already exist in the UPOV *Explanatory Notes* (see footnote 1).

Also, as pointed out in the Law Society's submission of 18 December 2018 in response to question 17 of the Issues Paper, if an EDV is itself the subject of a PVR grant, unauthorised exploitation of the EDV grant would be an infringement of that grant. This should be made clear in the new Act.

Rights over harvested material

Q13(a): *Do you agree with the proposed options? Are there alternatives we have missed?*

The Law Society agrees that the three options are those available.

Q13(b): *Do you agree with our analysis and conclusions? If not, why not?*

The Law Society takes no position on this matter of policy. The Law Society notes that the concept of "a reasonable opportunity to exercise [its] right" is substantively the same as the concept of exhaustion of rights and the two concepts should be treated in a coherent way.

Farm saved seed

Q14: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society takes no position on this issue because it is a matter of policy in trying to achieve a balance between the interests of plant breeders and farmers in the limited range of varieties in New

Zealand where seed is saved.

Compulsory licences – general issues

Q15(a): *Do you agree with the discussion and the proposals in relation to the five issues discussed above? If not, why not?*

The Law Society agrees with the discussion and the proposals set out in paragraphs 355, 360, 363, 366 and 368, for the reasons stated in the options paper. The Law Society looks forward to the consultation proposed on regulations governing the procedures.

Q15(b): *Other than the two substantive issues below, are there other issues we have missed?*

Since the purpose of a compulsory licence is to make the variety available to the public, there should be the same requirement for the compulsory licensee to make the variety available that there is for the PVR grantee. An applicant for a compulsory licence should be required to show that it is capable of making the variety available if granted a compulsory licence.

Another way of ensuring availability is by giving to the Commissioner power to revoke a compulsory licence where the licensee has not made the variety reasonably available. Subsection 21(7) of the PVR Act 1987 gives the Commissioner the discretion to “limit, vary, extend, or revoke, a licence or order issued under subsection (2)” if the Commissioner thinks it appropriate. That subsection should be retained, and some guidance given to the Commissioner as to what are appropriate grounds to exercise the discretion. Failure to make the variety available to the public should be among the grounds, but they should also include the ground that “the grounds on which the licence was granted have ceased to exist.”²

Compulsory licences – grace period

Q16: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society agrees with the proposed option and analysis, subject to one comment. Paragraph 379 observes that the Commissioner is “likely” to refuse an application for a compulsory licence if the owner was unable to make the variety available. This should be one of the grounds the Commissioner needs to consider in deciding whether to grant a compulsory licence, best addressed in regulations.

Compulsory licences – section 21(3)

Q17: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The proposed option is a matter of policy upon which the Law Society makes no comment.

However, the options paper does not consider whether the activity the option is aimed at might better be addressed under the general provisions of misuse of market power under the Commerce Act 1986. This consideration should be made.

Also, the Law Society notes that in the Australian Plant Breeders’ Rights Act 1994, subsection 19(11) provides that the requirement to make a variety generally available does not apply to varieties where the Registrar has certified that the variety has “no direct use as a consumer product”. The options paper might have considered that alternative.

² See Patents Act 2013, s170(4).

Enforcement – infringements

Q18(a): *Do you agree with the discussion and the proposals in relation to the four issues discussed above? If not, why not?*

The Law Society agrees that the new PVR Act should take the same approach as other IP statutes, by providing that infringement is the unauthorised carrying out of any of the acts over which the PVR owner has exclusive rights, as proposed in paragraph 413 of the options paper. The Act should avoid the use of the phrase “require[s] the authorization of the breeder” used in UPOV 91 because of the inference that such authorisation might be a minor formality rather than that in its absence, unauthorised use would be an infringement.

As pointed out in the Law Society’s submission of 18 December 2018 in response to question 28 of the Issues Paper, inducing infringement is an infringement of a patent under US law.³ It is submitted that rather than relying on the lack of certainty as to what is an act that “diminished the [PVR owner’s] enjoyment of its exclusive right”, the definition of infringement should include any act inducing infringement.

Q18(b): *Should the PVR Act provide that infringement disputes be heard in the District Court? Are there other issues relating to infringements that we have missed?*

Paragraph 402 of the options paper indicates that there have only been two infringement cases that have reached the court in the 30+ years the Act has been in force. This reinforces the conclusions that the costs of litigation may be prohibitive, and that there is unlikely to be sufficient demand to justify the setting up of a specialist tribunal.

All other intellectual property statutes provide for appeals, validity and infringement proceedings to be in the High Court. It is not clear why the PVR Act engages the District Court. There is unlikely to be any significant cost saving. The High Court has intellectual property expertise and intellectual property practitioners usually appear in the High Court. The Law Society suggests MBIE review whether the High Court is the better forum for PVR court matters. Please refer also to the Law Society’s suggestion that the Commissioner be given power to determine if a variety is an EDV (in response to question 12 above) as a means of limiting costs.

Enforcement – offences

Q19: *Do you agree with the proposed options? Are there alternatives we have missed? Do you agree with our analysis and conclusions? If not, why not?*

The Law Society agrees with option 3, proposed in paragraphs 460 to 462, to repeal the offence provisions for all the reasons set out in its submission of 18 December 2018 in response to question 32 of the Issues Paper.

Exhaustion of the breeder’s right

Q20: *Do you have any comments about the exhaustion provision required by UPOV91?*

The Law Society agrees with the proposal in paragraph 169 of the options paper to include an exhaustion of rights section conforming to Article 16 of UPOV 91 in the new Act.

³ Patent Act 1952 (US) § 35 USC 271(b).

Cancellation and nullification of the breeder's right

Q21: *Do you have any comments about the cancellation and nullification provisions required by UPOV 91, and MBIE's additional proposals discussed in this section?*

The Law Society agrees in principle with the proposals in paragraphs 482 and 485 to include nullification and cancellation provisions consistent with Articles 21 and 22 of UPOV 91 and to allow a counterclaim for nullification or cancellation in an action for infringement.

However, the differences in the consequences and grounds for nullification and for cancellation should be made clear. The Article 21 grounds all relate to conditions precedent to the granting of the PVR and establishing those grounds means that the grant is deemed never to have been made. The Article 22 grounds are aimed at changes in the variety subsequent to the date of grant and mean that the grant is deemed to have been valid until the date of cancellation.

There is also an uncertainty created by the wording of Article 22(b)(i) of UPOV 91. This paragraph allows for cancellation if a "breeder does not provide the authority with the information, documents or material deemed necessary for verifying the maintenance of the variety." This dovetails with the ground for cancellation under Article 22(1) of UPOV 91 that allows for cancellation of a grant if the variety is no longer uniform and/or stable. This could either: (1) create an ongoing obligation for grantees to provide maintenance information to the PVR Office, or (2) allow a third party to make an application to cancel a grant on the ground that it is no longer uniform or stable. Such an application could then establish an obligation for the grantee to provide evidence that the variety has been maintained as uniform and stable. Given the burden that regular maintenance reports would put on both Office and grantees, the Law Society submits that the latter should be the approach. This is the approach taken in section 37 of the Australian Plant Breeders' Rights Act 1994 that allows the Registrar to deal with any request for revocation by ordering a test growing of the variety. Under subsection 37(2B), if the grantee fails to provide materials for a test growing within the prescribed time limit, the registrar may cancel the grant.

Article 21 (1)(iii) provides that a PVR may be nullified if it has been granted to a person not entitled to it "unless it is transferred to the person who is so entitled." It is submitted that there should be a mechanism to effect that transfer. Section 63 of the Patents Act 2013 provides for such a transfer in similar circumstances where a patent application has been made by a person not entitled to do so. The Law Society submits that a provision to the same effect modelled on the patent precedent should be included in the new Act.

The Law Society notes that the options paper is silent on possible objections by third parties to the making of grants. Section 6 of the PVR Act 1987 did provide for the making of such objections. UPOV 91 is silent on pre-grant proceedings, but Article 12 governing examination does not preclude having such a provision. If it was the intention not to have pre-grant objections this should be made clear before the bill is drafted. If the intention is to have such proceedings, then the grounds for objecting should be made clear. For more certainty, the grounds for objection might mirror those for nullification and cancellation after grant.

Extending coverage to algae

Q22: *Do you have any comments to make about whether or not algae should be included within the definition of "plant" for the purposes of the PVR regime?*

The Law Society takes no position on this policy issue.

Provisional protection

Q23: *Do you agree with our preferred option for dealing with provisional protection? If not, why not?*

The Law Society agrees with the preferred option 2, for all the reasons set out in paragraphs 499 to 501 of the options paper.

Transitional provisions

Q24(a): *What is your view on the options presented here in relation to this issue? Are there alternatives we have missed?*

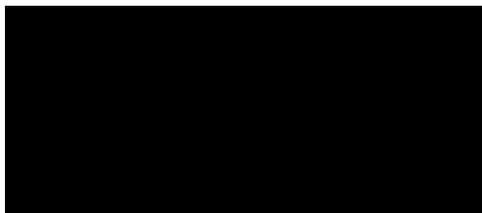
The Law Society agrees with the observations in paragraphs 505 and 506 of the options paper that option 1 would be undesirable for the reasons set out. The choice between options 2 and 3 is a policy matter on which the Law Society takes no position.

Q24(b): *How should transitional provisions apply to EDVs?*

The transitional provisions for EDVs are again a policy matter on which the Law Society takes no position. However, it agrees with the last sentence in paragraph 511 of the options paper that whatever option is chosen, the breeder of an EDV should not become an infringer retrospectively as a result of a transitional provision.

We hope you find these comments helpful. If you have any questions or wish to discuss the submission, Greg Arthur, convenor of the Law Society's Intellectual Property Law Committee, can be contacted via the Law Society's Law Reform Adviser, Emily Sutton (Emily.Sutton@lawsociety.org.nz)

Yours faithfully



Herman Visagie
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