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Breaking Up is Hard to Do: The California Strawberry Commission's Claim to University Plant Breeding Research

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Plant patents are often overshadowed by their more well-known utility and design patent counterparts under U.S. law. Yet, with the increasing branding and differentiation of agricultural commodities, plant patent rights drive key investment and innovation opportunities—especially in that mother lode of all agricultural economies, California. A case slowly making its way through California's judicial system highlights the important role of strawberry plant patents and the nature of University research ownership rights.

Just the Facts, Ma'am

California Strawberry Commission ("CSC") *vs. the Regents of the University of California* was filed in October 2013 seeking to obtain and reproduce "copies" of strawberry "germplasms" generated through the University of California, Davis's research work related to improved and patented varieties of strawberries. The living tissue of a cultivar is sometimes referred to as its "germplasm." The CSC bases its claim to the University's strawberry cultivar "germplasms" on the fact that the CSC (comprised of private growers) helped fund the University's strawberry cultivar research program for many years through research agreements. Since the early 1990s, the University would collect money from the CSC to defray research costs ($350,000 a year most recently).

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As a quid pro quo for this research funding assistance, the University would grant California strawberry growers two years of exclusive use of the strawberry cultivars it licensed to them—giving them a competitive head start on growers from other areas. After two years, The University would charge California growers a reduced license fee compared to what strawberry growers outside of California otherwise would be required to pay.

By all accounts, the University's research program has been extraordinarily successful: over 80% of strawberries grown in the U.S. are derived from UC Davis's strawberry cultivars, and over 60% worldwide. In the past nine years, the University's received over $50 million in licensing revenues.[1]

But in 2013, this strawberry cornucopia fractured at its research seams. UC Davis's two leading strawberry cultivar researchers—Douglas Shaw and Kirk Larson—announced over a year ago that they would be leaving UC Davis to form their own strawberry research company. Perhaps fearing that the University would disband its research program and cut these former researchers a sweetheart deal, the CSC filed its lawsuit to protect an alleged property interest in the fruits (pardon the pun) of the University's research program. The University has since disavowed any intent to disband its strawberry cultivar research efforts or to favor its former plant breeding researchers over others.

CSC's Supposed Legal Claim to the University's Strawberry Cultivar Rights

The CSC's legal claim of entitlement to the University's strawberry germplasm rests on its cramped reliance on the following provision included in a yearly CSC/University research agreement.

All ***fiscal records*** regarding work performed, and results achieved in connection with the project shall be maintained for inspection by the CSC and its authorized representatives who may make copies as desired. (Emphasis added.)

The CSC contends that this clause allows it to access and copy the University's strawberry germplasm so that CSC members can propagate and grow those strawberry varieties. In its motion to dismiss papers, the University (sensibly) argued that "this obligation is directed to the need to preserve financial records so that an accounting can be made as to the use of funds—not to transfer the tangible and intellectual property itself." The research agreements dealt with the dissemination of academic research—not the transfer of intellectual property rights.

The court, however, felt constrained by procedural "demurrer" (*i.e.*, motion to dismiss) rules mandating that they accept the "truth" of

complaint allegations. The presiding superior court judge skirted the pivotal contract interpretation issue by determining that the University's "obligations (if any) to provide 'results achieved in connection with the program' are ambiguous" and whether the plaintiffs' "interpretation of this provision is unreasonable is a question more prudently reserved for the trier-of-fact."

When one fails to address the import of key modifying words in the operative contract language at issue—*i.e., fiscal records*—such an omission certainly does tend to make a sentence and its intended meaning more ambiguous. However, it seems likely that no amount of further pretrial discovery into the drafting history and intent of this clause will transform a routine accounting provision into a backhanded license grant of intellectual property rights to strawberry cultivars. Transfers of intellectual property rights are not drafted by lawyers in such secondhand, afterthought fashion.

The CSC's contract interpretation argument appears to be internally inconsistent as well. It begs the question of why CSC members would enter into license agreements with the University for strawberry germplasm "use" rights if they had already procured that license right vis-à-vis the CSC/University research contracts. Such tenuous, grasping argumentation takes a cue from the title of Joan Didion's memoir, *The Year of Magical Thinking.*

The University Removes the Case to Federal Court

The California superior court's denial of the University's motion to dismiss breathed new life into this convoluted case about strawberry cultivar research rights. The University answered the CSC's amended complaint and filed declaratory judgment cross-claims. They allege that the CSC's apparent intent to copy and reproduce strawberry germplasm, if allowed, would infringe nine University-owned strawberry plant patents. As the University points out in its removal papers, "[c]opying a patented plant by asexually reproducing a genetic duplicate of it is an act of infringement under plant patent law. *Imazio Nursery v. Dania Greenhouses*, 69 F.3d 1560, 1567-68 (Fed. Cir. 1995)."

Under the "America Invents Act," a defendant/cross-claimant can now remove state-filed case to federal court based on its own patent infringement counterclaim allegations. This is a change in former U.S. patent law. The University explains:

Moreover, this action is one that may be removed to this Court pursuant to 28 U.S.C. 1454(a), which provides that "[a] civil action in which ***any party*** asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the

district court of the United States for the district and division embracing the place where the action is pending." (Emphasis added.) Indeed, 1454, which became law as part of the America Invents Act of 2011, was intended to abrogate *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.* by expressly allowing a defendant to remove based on patent infringement counterclaims.

Unlike the regular rules that require a defendant party to seek removal within a 30 day time period, under the AIA-added removal section, 28 U.S.C. 1454(b), the time limits for removal "may be extended at any time for cause shown." We can anticipate future briefing regarding the novel AIA issue of whether sufficient cause was shown here to allow removal of the CSC's claims after other time periods for removal had elapsed.

Conclusion

For many years, the California Strawberry Commission and UC Davis worked together in establishing a highly successful strawberry cultivar research breeding program. Knock-down, drag-out litigation seldom draws parties closer together. Perhaps in mediating this case, the opposing parties would do well to embrace the lyrics of Neil Sedaka's pop tune that made the Billboard Top 10 in both 1962 and 1975*:* "Don't say that this is the end; Instead of breaking up I wish we were making up again; Come on baby, let's start anew; Cause breaking up is hard to do." That too may be wishful, magical thinking.

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[1] D. Kasler, "Judge Won't Toss Suit by Strawberry Industry Against UC Davis Over Plant Research," *Sacramento Bee,* October 2, 2014 and updated October 10, 2014, http://www.sacbee.com/news/business/article2618353.html.