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Hey, You Stole My Plant!

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For several years, John Smith (a local producer) had worked with Company X (a large breeding company) to vegetatively propagate Company X's plants for sale in John's local area. John had some extra space and extra plug trays and decided he wanted to grow some "extra plants." Ten thousand extra plants were produced and sold under a new varietal name at local greenhouses in the region.

One of Company X's breeders happened to be passing through a local greenhouse and noticed that there was a plant that looked surprisingly similar to a plant that was patented by Company X (by a U.S. Plant Patent and not a U.S. Utility Patent) five years earlier. However, the plant was being sold under a different brand and under a different variety name. He thought the plant seemed odd, so he purchased one and took it back to Company X. Back at the office, everyone agreed that the plant looked surprisingly similar to their patented plant.

Company X was very upset because it certainly appeared that John Smith had produced and sold an unknown number of the Company X's patented plants without its permission. Officials at Company X decided to call their attorney in order to determine what their options may be going forward. In the end, Company X felt their best option was to sue John Smith for patent infringement of their plant patent in the United States Federal District Court.

Before filing the suit against John Smith, Company X's attorney informed them that a patent infringement suit can be a long, drawn-out process; however, the vast majority of patent infringement lawsuits are settled within one year. A 2009 study showed that only 4% of patent infringement cases ultimately reached trial (www.uscourts.gov). The median time-to-trial for a patent infringement case is 2.28 years and 70% of patent cases that went to trial reached trial within three years from the filing date of the initial complaint (Patent Litigation Study, PricewaterhouseCoopers 2011).

Patent infringement breakdown

A plant patent, under United States Code 35 U.S.C. § 161, is granted to "[w]hoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefore, subject to the conditions and requirements of this title."

Under 35 U.S.C. § 271, patent infringement takes place when someone makes, uses, offers to sell or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent. There are several forms of patent infringement. The first form is “literal or direct infringement.” Another is termed “inducement to infringe” and takes place when a person actively persuades another party to infringe a patent. Courts have deemed that the party that was induced to infringe shall also be liable as an infringer.

The “doctrine of equivalents” is applied when there is no literal infringement, but where a holder of a patent can prove that an element of the alleged infringing device or process substantially performed the same, in substantially the same way to substantially achieve the same result.

Company X’s attorney knows the majority of the patent infringement case law isn’t related to plants, and it may be difficult to use the normal forms of infringement under the scope of protection found in a U.S. Plant Patent. The most prominent case involving a U.S. Plant Patent in the last 20 years was the Imazio Nursery Inc. v. Dania Greenhouse case (1992). The Imazio case centered on a patented heather, Erica Sunset (U.S. Plant Patent No. 5,336). Imazio, owner of the U.S. Plant Patent, claimed that Dania Greenhouses infringed his U.S. Plant Patent by developing a plant that had “the same essential characteristics” of U.S. Plant Patent No. 5,336, “whether or not the accused was originally cloned from the patented plant.” However, upon appeal to the Federal Circuit Court of Appeal, the Court found in favor of Dania and ruled that “for purposes of U.S. Plant Patent infringement, the Patentee (patent owner) must prove that the alleged infringing plant is an asexual reproduction, and, that it is the progeny of the patented plant.”

Knowing the ruling in Imazio, Company X’s attorney recommended that if the company wanted to file a patent infringement suit against John Smith, the Company would need to gather as much information as possible to show that the extra plants produced and sold by John Smith under a different variety name were indeed an asexual reproduction of the patented plant. Company X proceeded to gather as much data as possible—including measurements of the phenotypic characteristics—that showed the plants were virtually the same. Company X also conducted genetic testing between the extra plants sold by John Smith and the patented plant, which showed that the two plants were genetically exact matches.

Tell it to the judge

Having gathered the information showing the phenotypic and genetic similarities of the plants, Company X proceeded to file a complaint in United States Federal Court. At this point, there are two common pathways that a patent owner can take to protect their intellectual property and address patent infringement. One way is to go to court and ask for “equitable relief.” For example, the patent owner can go to court and ask to file a request for a preliminary injunction. The purpose of a preliminary injunction is to preserve the status quo between the disputing parties pending a final determination on the merits of the action. Essentially, it stops John Smith from taking any further action until there is a decision on whether the case is worth going to court.

Another type of equitable relief is a temporary restraining order, which can be granted without written or oral notice to the opposing party or attorney if “… it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss or damage will result to the applicant …” before the opposing party or attorney can be heard in opposition.

Considering the balance of hardships between the plaintiff, Company X (the patent owner) and the defendant, John Smith (the infringer), a preliminary injunction in this case would be warranted. The public interest would not be disserved by issuing an injunction. This means that the infringer would be prevented by a court order from making, using or selling the patented plant.

Another common pathway for a patent owner to address potential infringement is to file suit in court. For example, once Company X and its attorney have reviewed the evidence that is available, the attorney files a complaint in U.S. Federal District Court on Company X's behalf. (U.S. patents are a federal right and any actions regarding patents must be filed in the U.S. Federal Court system.)

Once the complaint is filed and served upon the accused infringer—John Smith in our example—he will have a set amount of time to file a response. Often the deadline to respond to the initial complaint is extended while the parties attempt to reach a settlement. The parties will then need to submit disclosures to each other related to each party's view of the complaint, such as the contact information of individuals who are likely to have information to support Company X's complaint. Motions may be submitted to the court, such as Declaratory Judgments. (A Declaratory Judgment is a legally binding judgment handed down by a court for a civil matter that declares the rights, duties and obligations of two parties in a dispute). The judge will then schedule a pre-trial conference in order to talk with the parties regarding the trial schedule.

Company X and John Smith then begin the "discovery" process. Discovery is the stage in the pre-trial process where the parties begin to gather documents from the other side and witnesses are deposed. Each party serves the other with written requests for documents and other forms of evidence. Questions, called interrogatories, are also submitted by each party and must be answered in writing. Expert witnesses who will be called during trial provide the opposing party with information on their expertise and additional information regarding the nature of the experts'
testimony.

Once the trial begins, the parties may use a variety of evidence to strengthen their case why there is or is not infringement of the plant patent, while also providing a basis for a finding of damages. Some of this evidence may include documentary evidence (includes any type of written evidence to support the party's argument), accounting documents (i.e. sales, revenue, costs), licenses (often used to provide evidence used in establishing reasonable royalty), market information (i.e., if no royalty was negotiated, market values may be used in calculating damages), witnesses, experts and employees.

Finally, the court will render a verdict based on the evidence supplied during the trial. In the scenario described above, in all likelihood—based on the genetic and phenotypic data—a properly instructed court would probably find that John Smith had actually infringed Company X's plant patent.

After the verdict

Once the verdict is determined, damages for Company X must be calculated. There are an assortment of methods courts use in order to determine what damages should be awarded in a patent infringement case.

Compensatory damages, which are damages awarded to Company X to replace the amount lost due to the infringement by the defendant, are one form of damages and include damages for lost profits, as well as

reasonable royalties. In order to be awarded lost profits, Company X must establish that, but for the infringement by John Smith, they would have earned the profits asserted.

Reasonable royalties may include that portion of the infringer's sales not included in lost profits for the patent owner. A reasonable royalty is the amount that "a person, desiring to manufacture [use, or] sell a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make [use, or] sell the patented article, in the market, at a reasonable profit." When an established royalty doesn't exist, a court may determine a reasonable royalty based on "hypothetical negotiations between a willing licensor and a willing licensee."

Injunctive relief may be available for Company X, who may also wish to request a permanent injunction to prevent John Smith from continuing to infringe their patent. The permanent injunction would prevent John Smith from continuing to propagate and sell the patented plant without Company X's permission on a permanent basis. However, the U.S Supreme Court has ruled that a patent owner doesn't always have an absolute right to an injunction, even once infringement is established.

Lastly, Company X may be able to obtain the cost of attorney's fees from the infringer. The attorney's fees allowed must be "reasonable" and include expenses. The award of attorney's fees is left to the discretion of the court.

In the end, the amount of damages that will be awarded by the court to Company X will vary depending on the court, along with the evidence Company X is able to provide the court showing the profits John Smith made from the extra plants. And any evidence of license agreements Company X has for the patented plant will all aid the court in determining the appropriate award of damages. **GT**

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