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Vincent G. Buehler

Pacific McGeorge School of Law

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Chapter 424: Terminating Pestering Litigation, or a Paper Pesticide?

Vincent G. Buehler

Code Sections Affected

Food and Agriculture Code §§ 52300, 52301, 52302, 52303, 52304, 52305, 52306 (new).

AB 541 (Huffman); 2008 STAT. Ch. 424.

I. INTRODUCTION

In 1998, Monsanto,¹ an agricultural company, sued Percy Schmeiser, a Canadian farmer from Bruno, Saskatchewan, on patent infringement grounds for allegedly planting Monsanto's "Roundup Ready" canola seed² without paying the accompanying technology fees.³ Prior to the lawsuit, Monsanto's investigators went onto Schmeiser's land and took samples of his crops.⁴ Tests of samples from three different sources⁵ revealed that Schmeiser's 1998 crop was ninety-five to ninety-nine percent genetically engineered (GE).⁶ However, Schmeiser, without licenses for such products, claimed that he did not have any idea how his fields became contaminated with Monsanto's seeds.⁷ He cited wind, pollination, and trucks driving past his fields as potential explanations for the emergence of GE crops within his harvest.⁸

1. Monsanto uses "the tools of modern biology" to "help farmers grow more yield sustainably so they can produce more and conserve more." Monsanto, Who We Are: A Commitment to Agriculture, http://www.monsanto.com/who_we_are/default.asp (last visited July 12, 2008) (on file with the *McGeorge Law Review*). As of 2005, Monsanto provided the seed technology for nearly ninety percent of genetically engineered crops in the world. CTR. FOR FOOD SAFETY, MONSANTO VS. U.S. FARMERS 10 (2005), available at <http://www.centerforfoodsafety.org/pubs/CFSMonsantovsFarmerReport1.13.05.pdf> (on file with the *McGeorge Law Review*). While Chapter 424 does not expressly target Monsanto, the sponsor indicated the legislation was necessary "to protect innocent farmers from unwarranted or overly aggressive litigation tactics by the seed industry," and in doing so, focused on Monsanto's numerous lawsuits. SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 5-8 (June 24, 2008).

2. Srividhya Ragavan & Jamie Mayer O'Shields, *Has India Addressed Its Farmers' Woes? A Story of Plant Protection Issues*, 20 GEO. INT'L ENVTL. L. REV. 97, 121 (2007).

3. Matt Hartley, *Grain Farmer Claims Moral Victory in Seed Battle Against Monsanto*, GLOBE & MAIL, Mar. 20, 2008, available at <http://www.commondreams.org/archive/2008/03/20/7784/> (on file with the *McGeorge Law Review*).

4. *Percy Schmeiser's Battle*, CBC NEWS, May 21, 2004, http://www.cbc.ca/news/background/genetics_modification/percyschmeiser.html (on file with the *McGeorge Law Review*).

5. Samples were taken from Monsanto inspectors, court-ordered samples, and a local mill. Percy Schmeiser, *Percy Schmeiser: Canola Crook or Corporate Martyr?*, <http://www.geo-pie.cornell.edu/issues/schmeiser.html> (last visited July 28, 2008) [hereinafter Schmeiser, *Canola Crook*] (on file with the *McGeorge Law Review*).

6. *Id.*

7. *Id.*

8. *Id.*

Ultimately, the Canadian Supreme Court held that Schmeiser did violate Monsanto's patent rights, and as a result, was liable to Monsanto for \$15,450, based upon the amount he should have paid Monsanto for the licensing fees.⁹ Schmeiser claimed that the Canadian Supreme Court's ruling was an "injustice" and requested that Parliament "act to ensure that farmer[s'] rights are protected."¹⁰ Conversely, Carl Casale, Monsanto's vice president, said that "[t]he [Canadian] Supreme Court has set a world standard in intellectual property protection and this ruling maintains Canada as an attractive investment opportunity."¹¹

In addition to the lawsuits against non-licensed farmers, Monsanto has sued over 120 licensed customers who have violated "written agreements pledging not to save and replant seeds," collecting between \$107 million and \$186 million in settlements.¹² By enacting Chapter 424, the California Legislature has attempted to protect farmers against harassing litigation by a patent holder based upon the drift of patented GE material.¹³

II. BACKGROUND

A. Seed Manufacturers' Investment Protections

1. Existing Statutory Law

In the history of plant breeding, intellectual property protections for GE seed

9. *Monsanto Can. Inc. v. Schmeiser*, [2004] 1 S.C.R. 902, 2004 SCC 34 (Can.); Schmeizer, *Canola Crook*, *supra* note 5. The trial court also awarded Monsanto up to \$105,000 in profits from Schmeiser's 1998 harvest. However, the Canadian Supreme Court set aside the profit award, ruling the "Schmeiser did not earn any additional profit" by using Monsanto's seeds. *Id.* (emphasis in original).

10. Percy Schmeiser, *Percy Schmeiser Claims Moral and Personal Victory in Supreme Court Decision*, May 22, 2004, <http://www.percyschmeiser.com/decisioncomments.htm> (on file with the *McGeorge Law Review*). Despite his dissatisfaction with the fact that a company's patents take precedence over a farmer's right to save and reuse seed, Mr. Schmeiser was pleased that the court recognized that he did not profit from use of Monsanto's seed technology. *Id.*

11. *SCOC Rules Farmer Violated Monsanto's Patent*, May 22, 2004, http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/1085142479470_208/?hub=TopStories (on file with the *McGeorge Law Review*). It is estimated that it costs GE seed producers up to one hundred million dollars to introduce a seed with a single new GE trait, and up to three hundred million to introduce a seed with two or more of such traits. John Seabrook, *Sowing for Apocalypse: The Quest for a Global Seed Bank*, NEW YORKER, Aug. 27, 2007, http://www.newyorker.com/reporting/2007/08/27/070827fa_fact_seabrook (on file with the *McGeorge Law Review*). In fact, Monsanto invests two million dollars daily in research and development of its products. *Why Does Monsanto Sue Farmers Who Save Seeds?*, <http://monsanto.mediaroom.com/index.php?s=59&item=137> (last visited July 12, 2008) [hereinafter *Why Does Monsanto Sue Farmers Who Save Seeds?*] (on file with the *McGeorge Law Review*).

12. Alan Scher Zagier, *Monsanto Patent Fight Ensnarers Missouri Farm Town*, ASSOCIATED PRESS, July 10, 2008, <http://www.irishseedsavers.ie/newsdet.php?newsid=234> (on file with the *McGeorge Law Review*). The remainder of Monsanto judgments, after the deduction of legal fees, are donated to "youth leadership initiatives and scholarship programs." *Why Does Monsanto Sue Farmers Who Save Seeds?*, *supra* note 11.

13. See SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 6 (June 24, 2008) ("Court determination of liability would help protect innocent farmers from shakedown industry lawsuits.").

are relatively new.¹⁴ Traditionally, the law viewed seeds as mere chattel governed by the laws of personal property, while the “underlying genetics remained within the public domain.”¹⁵ The first semblance of patent protections for plants occurred in 1930, when Congress passed the Plant Patent Act (PPA).¹⁶ The PPA permitted an inventor who “asexually reproduces any distinct and new variety of plant” to obtain a patent.¹⁷ However, the PPA only allowed for patent protections of asexually-reproduced plants,¹⁸ while most major food crops are sexually reproduced.¹⁹

In 1970, Congress enacted the Plant Variety Protection Act (PVPA), the first “statutory-based intellectual property regime” for plants reproduced by seed.²⁰ The PVPA gave “plant variety protection” to the breeder of any new, distinct, uniform, and stable variety of plant.²¹ However, the PVPA provided “patent-like protections” via a certificate through the Office of Plant Variety Protection under the U.S. Department of Agriculture, not the U.S. Patent and Trademark Office (USPTO).²² Traditionally, farmers would save seed from each harvest for use in planting the subsequent season’s crop, thereby avoiding costs related to continual acquisition of seed.²³ Originally, the PVPA maintained this seed-saving exception, allowing growers to save seed from previous growing seasons for use in future growing seasons, or for sale.²⁴ In 1994, Congress limited the exception for saving seeds “by eliminating third party sales and permitting farmers to save seed for personal use only.”²⁵

14. A. Bryan Endres, *State Authorized Seed Saving: Political Pressures and Constitutional Restraints*, 9 DRAKE J. AGRIC. L. 323, 326 (2004).

15. A. Bryan Endres & Peter D. Goldsmith, *Alternative Business Strategies in Weak Intellectual Property Environments: A Law and Economics Analysis of the Agro-Biotechnology Firm's Strategic Dilemma*, 14 J. INTELL. PROP. L. 237, 251 (2007).

16. *Id.*

17. Plant Patent Act, 35 U.S.C. § 161 (2000). Patentable plants under this code section include “cultivated sports, mutants, hybrids, and newly found seedlings,” while “tuberpropagated plants [and] plant[s] found in an uncultivated state” are not patentable. *Id.*

18. Endres & Goldsmith, *supra* note 15, at 251.

19. Dorothy E. Schmidt, *Postcard from the Reality-Based Universe: “Wish You Were All Here!” A Meditation on the Relationship Between Science, Intellectual Property Law, and the Rights of Indigenous Populations in Plant Genetic Resources*, 38 ENVTL. L. 315, 343 (2008).

20. Endres, *supra* note 14, at 329.

21. *Id.*

22. Jason A. Barron, *Genetic Use Restriction Technologies: Do the Potential Environmental Harms Outweigh the Economic Benefits*, 20 GEO. INT'L ENVTL. L. REV. 271, 276 (2008).

23. See Carmen G. Gonzalez, *Genetically Modified Organisms and Justice: The International Environmental Justice Implications of Biotechnology*, 19 GEO. INT'L ENVTL. L. REV. 583, 604 (2007) (citing the socioeconomic impact of genetically modified crops on farmers using traditional farming methods).

24. Endres, *supra* note 14, at 330.

25. *Id.*

2. Existing Case Law

Prior to 1980, attempts to patent living products failed because such products were considered a part of nature.²⁶ This changed when the U.S. Supreme Court decided *Diamond v. Chakrabarty*.²⁷ In *Chakrabarty*, the Court ruled that a human-made bacterium, unless expressly excluded by Congress, could receive patent protections under 35 U.S.C. § 101 (section 101), while a naturally occurring bacterium could not.²⁸ The decision allowed the Patent Appeals Board to rule in *Ex parte Hibberd*²⁹ that sexually reproducing plants are patentable intellectual property.³⁰ The decision to extend patent protections under section 101 was further solidified by the Supreme Court's ruling in *J.E.M. Ag Supply v. Pioneer Hi Bred International*.³¹ By awarding utility patents³² to sexually reproducing plants, the Court added a layer of protection not found in the PVPA, and enabled patent "holders to exclude others from using the patented variety for research and agricultural purposes."³³ However, utility patent protection did not resolve issues relating to saving seeds—the doctrine of patent exhaustion provides that the "patent holder's rights are 'exhausted' after the first legal sale of the patented good."³⁴ Thus, a seed purchaser could argue that all seeds produced by the originally-purchased seeds, although identical, are not protected by the patent.³⁵

3. Contract Protections

In response to the lack of protections of utility patents against seed saving, GE seed producers implemented contracts to provide another layer of protection to their intellectual property.³⁶ If a farmer uses GE seed, the transaction is usually

26. *Id.*

27. 447 U.S. 303 (1980).

28. *Id.* at 309 (noting that the language of section 101, canons of construction, and legislative history shows that "respondent's micro-organism plainly qualifies as patentable subject matter" and that respondent's "claim is not to a hitherto unknown natural phenomenon, but to a nonnaturally occurring manufacture or composition of matter").

29. *Ex parte Hibberd*, 227 U.S.P.Q. (BNA) 443 (Bd. Pat. App. & Interferences 1985).

30. CTR. FOR FOOD SAFETY, *supra* note 1, at 12.

31. *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124 (2001) (holding that Congress did not explicitly exclude plants from the provisions of the Patent Act that provide for utility patents and that extending patents to plants would not be against legislative intent).

32. The term "utility" is used to describe the required benefit to the public for granting a patent monopoly. See 60 AM. JUR. 2D, *Patents* § 135 (2003) ("The basic quid pro quo contemplated by the federal Constitution and Congress for granting a patent monopoly is the benefit derived by the public from an invention with substantial utility.").

33. CTR. FOR FOOD SAFETY, *supra* note 1, at 12.

34. Endres, *supra* note 14, at 332.

35. See *id.* ("Accordingly, the first lawful purchaser of an article embodying a patented invention may use and resell it without permission from or compensation to the patentee.").

36. Endres & Goldsmith, *supra* note 15, at 254.

accompanied by a “technology use agreement” or “seed contract” that places restrictions on the farmer’s use of the product.³⁷ Among several other requirements,³⁸ seed contracts prohibit the saving of any crop produced from GE seed for planting, the production of any seed supply through the use of GE seed, and the transfer of any seed containing GE technologies (unless it is to a company licensed by the original GE seed manufacturer).³⁹ If the grower violates the terms of the “seed contract,” the grower will have its license to use the GE seed revoked and may be permanently enjoined from “making, using, [or] selling” GE seed.⁴⁰

Seed contracts expressly include damages for breach of contract and patent infringement.⁴¹ Further, liabilities regarding “contamination events” and “market burdens” are often shifted to the grower.⁴² These liabilities and remedies are coupled with provisions giving the original GE seed manufacturer access to information regarding a grower’s usage of seed and general farming practices that may not have been readily available otherwise.⁴³ Finally, if a grower breaches the seed contract or violates a patent, he or she will be liable for investigative and legal expenses incurred by the GE seed manufacturer in bringing the action.⁴⁴ Recognizing the various attempts to regulate GE seeds, the Legislature enacted Chapter 424 to “establish a statutory framework . . . to generally govern . . . GE plants” within California.⁴⁵

37. *Id.* at 254-55.

38. Other requirements found in “seed contracts” include provisions, such as directing the sale of specified crops to certain markets, establishing technical farming requirements, and payment requirements for use of GE seeds. 2008 Monsanto Technology/Stewardship Agreement, <http://www.dahlcoseeds.com/images/forms/2008techagreement.pdf> (last visited July 21, 2008) (on file with the *McGeorge Law Review*). Such provisions do not significantly add to the analysis of Chapter 424, and therefore are not explored in further detail.

39. *See id.* (giving seed production and dissemination restrictions in the “Grower Agrees” section).

40. *Id.*

41. *See id.* (providing Monsanto’s remedies for violation of the stewardship agreement in the “Monsanto’s Remedies” section).

42. *See* CTR. FOR FOOD SAFETY, *supra* note 1, at 17 (citing the transfer of liability found within Monsanto’s technology agreement).

43. *See* 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38.

Grower Agrees: . . . Upon written request, to allow Monsanto to review the Farm Service Agency crop reporting information on any land farmed by Grower including Summary Acreage History Report, Form 578 and corresponding aerial photographs, Risk Management Agency claim documentation, and dealer/retailer invoices for seed and chemical transactions. To allow Monsanto to examine and copy any records and receipts that could be relevant to Grower’s performance of this Agreement.

Id.; *see also* CTR. FOR FOOD SAFETY, *supra* note 1, at 18 (“[T]he technology agreement contains a broad provision giving Monsanto access to virtually any documents as part of a farmer investigation.”).

44. 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38.

45. *See* SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 1-2 (June 24, 2008) (describing AB 541 relative to the background of prior efforts to regulate GE seed).

III. CHAPTER 424

With Chapter 424's enactment, the Legislature declared its intent to clarify the role of the California Department of Food and Agriculture (CDFA) in overseeing "regulated agricultural biotechnology."⁴⁶ By clarifying the role of the CDFA, the Legislature sought to protect farmers from "overly aggressive litigation tactics [utilized] by the seed industry" by enacting provisions governing the collection of crop samples, and determining the point at which the presence of GE plants will infringe upon a patent.⁴⁷

A. *Procedures for Sampling Crops*

In California, a GE plant is defined as "a plant or any plant part . . . in which the genetic material has been changed through modern biotechnology in a way that does not occur naturally by multiplication or natural recombination."⁴⁸ Chapter 424 requires a patent holder of such a plant to abide by certain procedures before entering land to attain samples to determine if a breach of contract or patent infringement occurred.⁴⁹ These procedures include: notifying the farmer⁵⁰ of the allegation of contract breach or patent infringement in writing,⁵¹ providing a copy of that notification to the CDFA Secretary,⁵² and requesting⁵³ and obtaining written permission to enter the farmer's land.⁵⁴ If the farmer denies the request to enter the land, the patent holder may petition the Superior Court in the county where the alleged breach or infringement occurred for such permission.⁵⁵ The patent holder may also request a protective order to prevent intentional damage or destruction of crops that are to be sampled.⁵⁶ At the request of either party, the CDFA's Secretary, or an individual designated by the Secretary, must be present at the sampling and conduct any aspect of the sampling process requested.⁵⁷ The farmer and the patent holder may be present

46. 2008 Cal. Stat. Ch. 424, § 2.

47. SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 1, 8 (June 24, 2008).

48. A genetically engineered plant is defined as "a plant or any plant part . . . in which the genetic material has been changed through modern biotechnology in a way that does not occur naturally by multiplication or natural recombination." CAL. FOOD & AGRIC. CODE § 52300(b) (enacted by Chapter 424).

49. *Id.* § 52301(a) (enacted by Chapter 424).

50. Farmer is defined as "the person responsible for planting a crop, managing the crop, and harvesting the crop from land on which a breach of contract or patent infringement is alleged to have occurred." *Id.* § 52300(a) (enacted by Chapter 424).

51. *Id.* § 52301(a)(1) (enacted by Chapter 424).

52. *Id.* § 52301(a)(2) (enacted by Chapter 424).

53. *Id.* § 52301(a)(1) (enacted by Chapter 424).

54. *Id.* § 52301(a)(3) (enacted by Chapter 424). The farmer must grant or deny permission within ten days of receiving the request. *Id.* § 52301(b) (enacted by Chapter 424).

55. *Id.* § 52301(a)(4)(A) (enacted by Chapter 424).

56. *Id.* § 52301(a)(4)(B) (enacted by Chapter 424).

57. *Id.* § 52302 (enacted by Chapter 424). Any fees incurred by this procedure will be paid by the patent

during the sample collection and will be notified twenty-four hours before it occurs.⁵⁸

Further, Chapter 424 governs the procedure of collecting crop samples by setting standards for both the collection methodology and response time for analysis.⁵⁹ “Samples for analysis may be taken from a standing crop, from representative standing plants in the field, or from crop residue remaining in the field after harvest.”⁶⁰ Once the test results from a sample are received, the party requesting testing has thirty days to send notice to all parties involved.⁶¹

B. A Non-Infringing Presence

Chapter 424 further protects farmers from overly aggressive litigation by determining when the presence of GE plants does not constitute a patent infringement.⁶² With Chapter 424’s enactment, a farmer is not liable for a patent infringement if the patented GE plant is detected at only a *de minimus* level and if the farmer acted in good faith without knowledge of the “genetically engineered nature of the plant.”⁶³ This *de minimis* standard is explicitly limited to assisting in the adjudication of claims relating to the possession of “genetically engineered plants in which a seed labeler, patent holder, or licensee, has rights.”⁶⁴ It is not to be used to establish an acceptable level or presence of GE plants,⁶⁵ nor can it be used outside the “the scope or context of a legal dispute regarding genetically engineered plants.”⁶⁶

IV. ANALYSIS

A. Farmers’ Protections in Theory

1. Reducing Harassing Investigations

To protect their investment, GE seed manufacturers create oversight mechanisms to gather information about potential infringement.⁶⁷ For Monsanto,

holder. *Id.*

58. *Id.*

59. See *id.* §§ 52303-52304 (enacted by Chapter 424) (determining the types of plants from which samples can be taken and determining a time frame for dissemination of testing results).

60. *Id.* § 52303 (enacted by Chapter 424).

61. *Id.* § 52304 (enacted by Chapter 424).

62. SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 1 (June 24, 2008).

63. CAL. FOOD & AGRIC. CODE § 52305 (enacted by Chapter 424).

64. *Id.* § 52305 (enacted by Chapter 424).

65. *Id.* § 52305(a) (enacted by Chapter 424).

66. *Id.* § 52305(c) (enacted by Chapter 424). Additionally, Chapter 424 prevents the *de minimis* exception when acting in good faith from being used to limit damages for wrongful death or personal injury. *Id.* § 52305(b) (enacted by Chapter 424).

67. See Peter Shinkle, *Monsanto Reaps Some Anger With Hard Line on Reusing Seed*, GRAND FORKS

this included not only a staff of seventy-five employees with a budget of ten million dollars,⁶⁸ but also private investigators and a toll-free telephone number encouraging farmers and neighboring citizens to report possible violations.⁶⁹ While the investigations initially begin with surveillance and public information gathering,⁷⁰ they often result in unauthorized trespass onto farmers' lands to take crop samples.⁷¹

Prior to Chapter 424, the law limited farmers' claims of trespass to realty⁷² and conversion⁷³ of personal property. However, potential damage awards for such actions leave farmers with little incentive to enforce these rights.⁷⁴ Chapter 424 has helped mitigate this lack of enforcement by creating a governance structure in which the collection of samples places relatively greater burdens on patent holders and the CDFA, ultimately giving farmers rights beyond only trespass and conversion.⁷⁵

Patent holders must now give farmers notice of allegations of breach,⁷⁶ a request of permission to enter their land,⁷⁷ and twenty-four hour notice before sampling takes place.⁷⁸ Before taking samples, permission must be granted, and the farmer has the right to be present during the sampling process.⁷⁹ This notification, choice to consent, and right to be present when any samples are taken, reduces the intrusive nature of investigations of California farmers—patent

HERALD, May 20, 2003, at D (“Monsanto has built a whole department to enforce its seed patents and licensing agreements.”).

68. *Id.*

69. Jill Sudduth, *Where the Wild Wind Blows: Genetically Altered Seed and Neighboring Farmers*, 2001 DUKE L. & TECH. REV. 15 (2001).

70. See Donald L. Barlett & James B. Steele, *Monsanto's Harvest of Fear*, VANITY FAIR, May 2008, available at <http://www.vanityfair.com/politics/features/2008/05/monsanto200805?currentPage=1> (on file with the *McGeorge Law Review*) (“Monsanto relies on a shadowy army of private investigators and agents in the American heartland to strike fear into farm country. They fan out into fields and farm towns, where they secretly videotape and photograph farmers, store owners, and co-ops; infiltrate community meetings; and gather information from informants about farming activities.”).

71. CTR. FOR FOOD SAFETY, *supra* note 1, at 24.

72. If an investigator enters a farmer's land without the farmer's consent, it is likely that the investigator could be held liable for trespass to realty. See 59 CAL. JUR. 3D, *Trespass to Realty* § 1 (2004) (“The essence of the cause of action for trespass is an unauthorized entry onto the land of another [I]t has been broadly declared that every wrongful entry on land constitutes a trespass”).

73. If an investigator was to take crop samples without the owner's consent, it is likely he or she could be held liable for conversion. See 14A CAL. JUR. 3D, *Conversion* § 74 (2008) (“The basis of a conversion action is proof of the defendant's actual and substantial exercise of dominion or control over plaintiff's personal property, interfering with plaintiff's rights in the property.”).

74. 59 CAL. JUR. 3D, *Trespass to Realty* § 12 (2004). It has also been held that if the trespass does not result in “total destruction in value” the owner may also be entitled to compensation for “discomfort and annoyance.” *Kornoff v. Kingsburg Cotton Oil Co.*, 45 Cal. 2d 265, 273, 288 P.2d 507, 512 (1955).

75. See *supra* Part III.A. (discussing notification and consent requirements for patent holders seeking crop samples, and the role of CDFA in the process at the request of either party, as enacted by Chapter 424).

76. CAL. FOOD & AGRIC. CODE § 52301(a)(1) (enacted by Chapter 424).

77. *Id.*

78. *Id.* § 52302 (enacted by Chapter 424).

79. *Id.*

holders will be forced to work directly with the farmer and the CDFA to resolve sampling issues.

2. *Incidental Infringement*

The term “genetic drift” is often used to describe “inadvertent spreading of genetically modified organisms (GMOs) from a farm choosing to use that technology to a neighboring farm that has chosen not to include GMOs as part of its crop.”⁸⁰ The spread of GE material via cross-pollination occurs despite manmade barriers and has been shown to travel up to thirteen miles from a source.⁸¹ Monsanto even recognized the potential for genetic drift of its patented technologies; it stated in its technology use guide: “[A] certain amount of incidental, trace level pollen movement” is “generally recognized in the industry.”⁸² Monsanto further instructs customers on how to help control cross-pollination when using its seed.⁸³

According to 35 U.S.C. § 271, a patent is infringed by “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States.”⁸⁴ A strict reading of this statute suggests that farmers who are victims of genetic drift⁸⁵ and who do not own a license for the drifted product, can potentially be liable for infringing GE seed patents despite the lack of knowledge of such contamination or the amount of contamination found in their fields.⁸⁶ Such strict liability for these farmers is supported by the U.S. Supreme Court’s decision in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, which held that “[a]ctions predicated on direct patent infringement . . . do not require any showing of intent to infringe.”⁸⁷ While the Court’s decision did not allow for intent as a defense to farmers with contaminated fields, lower courts were split as to whether an exception exists for

80. Hilary Preston, *Drift of Patented Genetically Engineered Crops: Rethinking Liability Theories*, 81 TEX. L. REV. 1153, 1154 (2003).

81. CTR. FOR FOOD SAFETY, *supra* note 1, at 39.

82. MONSANTO, 2008 TECHNOLOGY USE GUIDE 5 (2008), http://www.monsanto.com/monsanto/ag_products/pdf/stewardship/2008tug.pdf (on file with the *McGeorge Law Review*).

83. *Id.* at 7.

84. 35 U.S.C. § 271 (2006).

85. Another potential source for contamination is through “volunteer crops,” which are crops that grow from seed that failed to germinate in the previous season or fell from the previous season’s crop prior to harvest. CTR. FOR FOOD SAFETY, *supra* note 1, at 40.

86. This is assuming the absence of any additional protections, such as those found within Chapter 424.

87. 527 U.S. 627, 645 (1999); *see also* Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 35 (1997) (“Application of the doctrine of equivalents, therefore, is akin to determining literal infringement, and neither requires proof of intent.”). *But see* Preston, *supra* note 80, at 1164 (“The court’s wavering in *Hughes Tool and Thurber* suggests that the Fifth Circuit wants to consider intent to infringe in its ruling on infringement . . .”).

a *de minimis* level of infringement,⁸⁸ leaving the question open as to whether such a defense exists.⁸⁹

Chapter 424 settles the question of a *de minimis* exception for California farmers, while simultaneously considering the farmer's intent when determining infringement.

A farmer shall not be liable based on the presence . . . of a patented genetically engineered plant . . . when the farmer did not . . . *knowingly acquire* the genetically engineered plant, . . . *acted in good faith and without knowledge* of the genetically engineered nature of the plant, and when the genetically engineered plant is *detected at a de minimis level*.⁹⁰

By considering knowledge and good faith when determining whether a California farmer qualifies for an exception, Chapter 424 requires that a patent holder, at least in certain circumstances, demonstrate that the farmer developed some degree of intent regarding the GE plant's acquisition.⁹¹ Chapter 424 provides additional protections to California farmers not traditionally found in patent law, ultimately making it more difficult for farmers to be held liable for infringement based on genetic drift.⁹²

B. Application of Chapter 424

1. Patent Law—Federal Preemption?

The Supremacy Clause makes the Constitution, “and the Laws of the United States which shall be made in Pursuance thereof,” the “supreme Law of the Land.”⁹³ The Constitution empowers Congress: “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors

88. See *Medtronic Vascular, Inc. v. Boston Scientific Corp.*, 348 F. Supp. 2d 316, 322 (D. Del. 2004) (“There is a narrow common law exception for *de minimis* non-commercial use.”); *Imperial Indus., PLC v. Henkel Corp.*, 545 F. Supp. 635, 657 (D. Del. 1982) (“[I]n order to establish a *de minimis* defense, courts have required not only that the manufacture or sale be insignificant in amount, but also that the alleged infringing activity have been terminated at the *de minimis* stage.”). *But see Embrex, Inc. v. Serv. Eng'g Corp.*, 216 F. 3d 1343, 1352-53 (Fed. Cir. 2000) (Rader, J., concurring) (“Since its inception, this court has not tolerated the notion that a little infringement—*de minimis* infringement—is acceptable infringement or not infringement at all.”).

89. *Smithkline Beecham Corp. v. Apotex Corp.*, 247 F. Supp. 2d 1011, 1051 (N.D. Ill. 2003) (“Whether there is a *de minimis* exception in patent law is an unsettled question.”).

90. CAL. FOOD & AGRIC. CODE § 52305 (enacted by Chapter 424) (emphasis added).

91. Intent is defined as “[t]he state of mind accompanying an act.” BLACK’S LAW DICTIONARY 825 (8th ed. 2004). This analysis argues that in requiring the absence of knowledge and the existence of good faith in order to qualify for the Chapter 424 *de minimis* exception, a court must now consider the state of mind of the farmer seeking exception when determining whether a patent is infringed.

92. See *supra* Part IV.A (discussing the potential protections Chapter 424 gives to farmers as proposed).

93. U.S. CONST. art. VI, cl. 2.

the exclusive Right to their respective Writings and Discoveries.”⁹⁴ It is from this authority that Congress enacted the first patent law in 1790, and from which the Supreme Court based its holding in *Sears Roebuck & Co. v. Stiffel Co.* that patent laws were the “supreme law of the land.”⁹⁵ The Court further clarified that “[w]hen state law touches upon the area of these federal statutes . . . federal policy ‘may not be set at naught, or its benefits be denied’ by the state law.”⁹⁶ However, the Patent Act does not contain any express preemptive language.⁹⁷

A state intellectual property law that frustrates the intent of the Patent Act, or that “facially conflicts with a federal statute” will be preempted.⁹⁸ It is unclear as to whether a *de minimis* exception is allowed within patent law.⁹⁹ A strict reading of federal statutes relative to patent holders’ rights¹⁰⁰ and infringement¹⁰¹ suggests that such an exception does not exist, arguably putting Chapter 424’s *de minimis* use of GE plants without infringement liability (as long as “lack of knowledge” and “good faith” requirements are met) in conflict with federal statutes.¹⁰² Potential preemption would likely occur under “policy conflict” grounds because the Patent Act confers strong property rights to the inventor that partakes in the patenting process,¹⁰³ and through its *de minimis* exception, Chapter 424 weakens those rights by allowing for infringement under limited circumstances.¹⁰⁴

In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, the Supreme Court dealt with potential preemption of state law based on policies put forth by federal patent law.¹⁰⁵ The Court held that the federal law preempted the Florida law prohibiting the duplication of unpatented boat hulls through “direct moulding,” because preventing such reproduction “conflict[ed] with the federal policy ‘that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent.’”¹⁰⁶

94. U.S. CONST. art. I, § 8, cl. 8.

95. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 228-29 (1964) (citing *Sola Elec. Co. v. Jefferson Elec. Co.*, 317 U.S. 172, 176 (1942)).

96. *Id.* at 229.

97. MODERN LICENSING LAW, *Patent Law Preemption* § 13:9 (2007).

98. Richard S. Robinson, *Preemption, the Right of Publicity, and a New Federal Statute*, 16 CARDOZO ARTS & ENT. L.J. 183, 192-93 (1998).

99. *See supra* note 88 (discussing the lack of clarity among courts as to whether a *de minimis* infringement exception exists).

100. “Every patent shall contain a short title of the invention and a grant to the patentee . . . of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States . . .” 35 U.S.C. § 154 (2006).

101. *See supra* Part IV.A.2 (discussing “infringement” as put forth in 35 U.S.C. Section 271).

102. *See id.* (discussing the existence of a *de minimis* infringement exception enacted by Chapter 424, and a lack of a *de minimis* infringement in federal patent law).

103. MODERN LICENSING LAW, *Patent Law Preemption* § 13:9 (2007).

104. Those circumstances not only require a *de minimis* level of infringement, but also a lack of knowledge of the acquisition and composition of the GE material, as well as good faith. CAL. FOOD & AGRIC. CODE § 52305 (enacted by Chapter 424).

105. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

106. *Id.* at 159-60 (quoting *Lear, Inc. v. Adkins*, 395 U.S. 653, 668 (1969)).

Distinguishable from such cases, Chapter 424 neither creates intellectual property where none exists, nor fosters greater intellectual property rights than those afforded by federal law.¹⁰⁷ Instead, Chapter 424 reduces the intellectual property rights afforded to patent holders of GE plants within California; therefore its validity could potentially be called into question.¹⁰⁸

2. Will Farmers Who Enter Into Seed Contracts Receive Sample Collection Protections?

Technology-use agreements generally contain a choice-of-law¹⁰⁹ provision.¹¹⁰ Under contracts with such provisions, “California will apply the substantive law as designated by the contract, unless . . . [t]he chosen state has no substantial relationship to the parties . . . and there is no reasonable basis for selecting that state.”¹¹¹ In meeting this test, courts must determine if the application of the law designated by the contract would be “contrary to a fundamental policy of California,” and if so, courts must consider whether “California has a materially greater interest in the matter than the chosen state in resolving the particular issue.”¹¹² With Chapter 424 granting greater protections to farmers by regulating the collection of crop samples¹¹³ and creating potential exceptions to traditionally infringing events,¹¹⁴ it is unlikely that patent holders will choose California law to govern any seed agreements they enter into.¹¹⁵ While those who have not entered into technology-use agreements will continue to enjoy the protections afforded by Chapter 424, the protections afforded to those who have already entered into such agreements may turn on whether the choice-of-law provision found within their contract is enforceable.

Regarding the “substantial relationship to the parties” and “reasonable basis for selecting the state” tests, it has been held that if one of the parties is

107. See *supra* Part III (discussing the enactments of Chapter 424, which includes governance provisions as well as infringing exceptions—there are no provisions which create intellectual property).

108. See *supra* Part IV.A.2 (discussing the existence of a *de minimis* infringement exception in Chapter 424, potentially weakening a patent holder’s rights).

109. A choice-of-law clause is defined as “[a] contractual provision by which the parties designate the jurisdiction whose law will govern any disputes that may arise between the parties.” BLACK’S LAW DICTIONARY 258 (8th ed. 2004).

110. See 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38 (“This Agreement and the parties’ relationship shall be governed by the laws of the State of Missouri and the United States (without regard to the choice of law rules).”).

111. 12 CAL. JUR. 3D, *Conflict of Laws* § 74 (2008).

112. *Discover Bank v. Superior Court*, 36 Cal. 4th 148, 177, 113 P.3d 1000, 1120 (2005).

113. See *supra* Part IV.A.1 (discussing how Chapter 424’s provisions protect farmers from potential harassing investigation techniques).

114. See *supra* Part IV.A.2 (discussing the existence of a *de minimis* infringement in Chapter 424).

115. This is supported by Monsanto’s seed contracts, which explicitly designate Missouri Law as governing such agreements. 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38 (“GOVERNING LAW: This Agreement and the parties’ relationship shall be governed by the laws of the State of Missouri and the United States [without regard to the choice of law rules].”).

incorporated or has its principal place of business in the state of the law designated by the contract, both tests are met.¹¹⁶ As an example, Monsanto is incorporated in Delaware, and its principal place of business is in Missouri.¹¹⁷ Monsanto's choice-of-law provision designates that the technology-use agreement is governed by Missouri law.¹¹⁸ Therefore, in applying the law of its principal place of business, it is highly likely that both the "substantial relationship" and "reasonable basis" tests would be satisfied. If a case involving Monsanto was ever brought before a California court, the court would have to determine that the choice-of-law provision was contrary to a fundamental public policy of the state before applying the protections of Chapter 424.¹¹⁹ Assuming that a farmer's right to avoid harassing investigations would be deemed a "fundamental California policy" and a lack of similar protections in Missouri is contrary to such a policy, the court would also have to determine if California has a materially greater interest in the matter than Missouri.¹²⁰ Ironically, this would bring the court back to the very policy issue facing the California Legislature when it enacted Chapter 424: the rights of California farmers to be free from intrusive investigation and litigation balanced against the rights of a Missouri company to protect its investment in GE seeds.¹²¹

V. CONCLUSION

Through its seed-collection provisions and *de minimis* exception to infringement, Chapter 424 aims to protect farmers from unwarranted litigation by GE seed producers such as Monsanto, while still maintaining incentives for companies to invest in intellectual property.¹²² Although Chapter 424 may be in line with such policies, its implementation poses potential problems as patent law is primarily governed by federal law, subjecting state law to possible

116. *Hughes Elecs. Corp. v. Citibank Del.*, 120 Cal. App. 4th 251, 258, 15 Cal. Rptr. 3d 244, 248-49 (2d Dist. 2004) (holding that a company having its principal place of business in New York created a "'substantial relationship' between New York and the parties as well as a 'reasonable basis' for a contractual provision requiring the application of New York law").

117. *Allen v. Monsanto Co.*, 396 F. Supp. 2d 728 (S.D. W. Va. 2005).

118. 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38.

119. *See supra* Part IV.B.2 (explaining the second part of the analysis regarding the enforceability of choice of law provisions in California).

120. *Id.*

121. This is all assuming that such litigation would take place in a California forum, which would be contrary to the forum selection clause found in Monsanto's Technology Use Agreement, which specifies both federal and state venues in Missouri. *See* 2008 Monsanto Technology/Stewardship Agreement, *supra* note 38 ("Forum selection for non-cotton-related claims made by grower and all other claims: the parties consent to the sole and exclusive jurisdiction and venue of the U.S. District Court for the Eastern District of Missouri, Eastern Division, and the Circuit Court of the County of St. Louis, Missouri . . ." (typeface modified)). Of the forty-six suits filed within these Missouri venues only twice has the opposing party been able to transfer venues. CTR. FOR FOOD SAFETY, *supra* note 1, at 31.

122. *See supra* Part IV.A (discussing theoretical farmer protections).

preemption.¹²³ Additionally, companies can potentially contract around the application of California law through choice-of-law provisions.¹²⁴ Eventually, more litigation—something Chapter 424 sought to avoid—may determine Chapter 424’s effectiveness.¹²⁵

123. See *supra* Part IV.B (discussing potential preemption issues facing the provisions of Chapter 424).

124. See *supra* Part IV.B (discussing potential problems with the application of Chapter 424’s provisions for those entering seed contracts).

125. See SENATE JUDICIARY COMMITTEE, COMMITTEE ANALYSIS OF AB 541, at 6 (June 24, 2008) (“[A c]ourt determination of liability would help protect innocent farmers from shakedown industry lawsuits.”).