

Oxford International Intellectual Property Moot 2015

Instructions

The 2015 moot concerns the case *Santos Halper Limited v Van Outen* [2014] HCE 77. A copy of this case is included in the pages that follow, along with relevant provisions from the Erewhonian Patents Act 1980.

At first instance in the High Court of Erewhon, Madam Justice Fisher found as follows.

1. There was no conversion of the Snowball bees by the defendant.
2. The defendant did not, by hiving and keeping the Snowball bees after they flew onto her land and by supplying their honey to others, engage in breach of confidence.
3. The defendant infringed each claim of the StampOut patent.

Madam Justice Fisher declined to grant a final injunction preventing the defendant from using the claimant's invention.

The claimant was granted leave to appeal from Madam Justice Fisher's judgment. The grounds of appeal were that Madam Justice Fisher: (i) ought to have found that the defendant was liable for breach of confidence; and (ii) was wrong to decline to award an injunction. The defendant argued in response that Madam Justice Fisher came to the correct conclusion in relation to breach of confidence. She also entered a cross-appeal that Madam Justice Fisher was incorrect to conclude that there had been any infringement of the patent. She argued in the alternative that if this submission was not accepted, Madam Justice Fisher's decision in relation to the injunction should be upheld.

A unanimous bench of the Court of Appeal upheld (without releasing a substantive opinion) the decision of Madam Justice Fisher on all appealed aspects, and dismissed both the appeal and the cross-appeal. The claimant has been granted leave to bring a further appeal to the Supreme Court of Erewhon, and the defendant a further cross-appeal. It is your task to prepare written and (for teams that are invited to the Oral Proceedings) oral submissions for this appeal.

Some points to consider:

- a. Each written submission must cover all issues on appeal, ie, make submissions on both the appeal and cross-appeal.
- b. Whilst you are encouraged, within the grounds of appeal, to present arguments and authorities not mentioned by Madam Justice Fisher, you should not seek to introduce entirely new causes of action or to press arguments that have been

conceded or that were not appealed. For instance, the findings on the conversion claim (item 1 in the list above) were not appealed by Santos and Ms Van Outen makes no challenge to the validity of Santos' StampOut patent.

- c. Appeals to the Supreme Court are on points of law only, although it is permissible to challenge the legal conclusions that arise from findings of fact.
- d. The opinion of Madam Justice Fisher includes reference to a number of cases. For the purposes of both the written and oral submissions, it is expected that you will deal with, and be familiar with, these items. However these references are **not** intended to constitute your sole authorities for the moot, and indeed you are expected to rely on other primary and secondary materials. The emphasis you give to any particular authority is up to you, although the Panel/Bench will not look favourably upon strong reliance on an unduly narrow spectrum of authorities.
- e. Although the moot is held in Europe, this is an international competition and you are not limited in the jurisdictions from which you use authority. You can therefore use authorities from around the world. Obviously, however, it needs to be clear why any given authority is relevant to the legal issues in dispute.
- f. Erewhon is not a member of the European Union.
- g. Requirements for your written submissions are contained in §14 of the Rules. The following is some additional guidance:
 - i. You do not need to include such things as a table of contents, statement of jurisdiction, statement of facts, index of authorities, etc. Submissions should focus on the substantive matters raised in the appeal.
 - ii. When marking your submissions, the Panel will be instructed not to give extra credit for court headings and other flourishes that merely give the submissions the superficial "look" of an official court document. Credit may be awarded for a presentation style that facilitates the arguments being made (for instance, in the content and number of headings, the use of a logical paragraph numbering system, and so forth). You should not, therefore, be worried about purely stylistic matters when constructing your submissions.
 - iii. The word count includes all the text in the footnotes. It is recommended that footnotes are used primarily for citation purposes, and that you minimise the amount of substantive text that appears in the footnotes.
 - iv. There is no prescribed style guide for the submissions. Teams should, however: (i) maintain consistency of style throughout each submission;

(ii) include full citations for sources on which they rely (at least the first time any given source is cited); and (iii) ensure that whenever they *quote* from a source, a pinpoint reference is included to the relevant page number and/or paragraph.

Any requests for clarifications of or corrections to the moot problem should be directed to the Moot Secretary at [moot@oiprc.ox.ac.uk] by **Wednesday 5 November 2014**. Requests should note the paragraph number to which they relate, and explain why the requested clarification or correction is expected to have legal significance for the problem. Requests will be treated as confidential. If any clarifications or corrections are deemed necessary by the Organising Committee (OC), these will be released on the moot website by **Friday 14 November 2014**. The OC will not respond individually to any requests for clarifications or corrections, nor will it respond to requests that are seeking assistance with substantive aspects of the moot.

Your submissions must be received by the Moot Secretary (at the email address above) by **8:00pm on Friday 12 December 2014**, Oxford time; see further §15-§16 of the Rules. As noted there, within their written submissions, teams must identify themselves **only** by use of the anonymous identifier given to them in advance by the Moot Secretary. To apply for this identifier, you should email the Moot Secretary **well before** the submission deadline.

The registration process will not open until *after* invitations have been issued to compete at the oral rounds. These invitations will be issued in mid-late January 2015. Only those teams who are invited to the oral rounds will need to register and pay the registration fee.

To keep apprised of announcements and news in relation to the moot (**#OxIPMoot**), please follow us on Twitter: **@OxIPMoot**.

Before:
THE HONOURABLE MADAM JUSTICE FISHER

Between:

Santos Halper Limited

- and -

Van Outen

Madam Justice Fisher:

[1] The proceedings before me are brought by Santos Halper Limited (“Santos”), an agricultural biotechnology corporation based in Erewhon. Santos own farmland in West Erewhon on which it runs a facility for the testing of genetically modified (“GM”) organisms. Its claims pertain to two GM strains that it has developed in recent times: “Snowball bees” and “StampOut maize”. The defendant is Ms Van Outen, a maize farmer who owns land near Santos’s West Erewhonian facility. I will deal with the claims in relation to the bees and maize separately.

Claims in relation to Snowball bees

[2] Santos has been working on a project whose aim is to create genetically modified bees that produce honey with heightened antibacterial activity. Honey has long been believed to have therapeutic effects, and has been used in particular in the treatment of skin infections, wounds and burns. Some honeys are also suggested to have particular healing qualities, such as mānuka honey from New Zealand, which is created by honeybees gathering the nectar from the mānuka tree, *Leptospermum scoparium*. There are currently studies being undertaken in Erewhon and elsewhere to determine the precise medicinal effects, if any, of various types of honey. In accordance with Erewhonian law, any producer or manufacturer that wishes to market honey (or any other product) as a medicine or with health claims must obtain regulatory approval. Such approval will be dependent on the provision of scientific evidence to support that claim.

[3] Santos is in the first stage of its project, which involves creating the GM bees and testing the antibacterial activity of their honey *in vitro*. Santos has produced a line of bees known as “Snowball bees”. These bees were given this name because of the

colouration of their bodies (white with black stripes) and fluffy appearance. Bees of such appearance have hitherto been unknown in Erewhon. Even to the untrained eye, Snowball bees look very different from Erewhonian honeybees, whose bodies are yellow with dark brown stripes. Preliminary laboratory work measuring the antibacterial properties of Snowball honey has been promising, and Santos is planning to commence clinical trials with humans to test the efficacy of this honey in a treatment context. Santos has not applied for a patent in relation to the Snowball bees or the honey.

[4] Santos maintains a number of hives of Snowball bees at its West Erewhonian facility. These hives are in the open. In spring 2013, some of the bees swarmed. Swarming is a natural process in which the queen bee leaves the existing colony along with a large number of worker bees, and seeks to establish a new colony elsewhere. In this case, the Snowball bees established a nest on nearby farmland belonging to Ms Van Outen. When Ms Van Outen noticed the bees, she thought it might be fun to capture them and start her own hive, having dabbled as an apiarist in the past. She admits that on hiving the bees, she immediately noticed their unusual body colour. Concerned about whether this might be a sign of disease, she undertook some internet-based research on white bees in Erewhon. This took her to a page on Santos's website about its current projects. This included a section headed "Snowball bees", under which there appeared two close-up photographs of Snowball bees and text that read as follows: *"Santos has developed a genetically modified bee that we call the Snowball bee. They make yummy honey that might also have numerous therapeutic applications. We are currently undertaking research in relation to medicinal uses of Snowball honey, and will be commencing clinical trials soon."* The website did not provide any other information about the nature of the Snowball bees or the research project.

[5] Ms Van Outen decided not to tell Santos about the Snowball Bees on her land. In her testimony in this court, she explained that the bees had created a nest on her land of their own free will, and that she saw no harm in hiving them, particularly given she intended to keep them as a hobby and not as part of any commercial endeavor (and certainly not with the purpose of selling their honey as a medicine). She admitted that the Snowball bees produced more honey than she could consume herself, so to avoid wastage, she would give away batches to friends and neighbours, sometimes in return for produce grown on their farms. Indeed, this is how Santos came to learn of Ms Van Outen's activities – an employee having breakfast with a friend was offered Snowball honey in his porridge, and made inquiries as to the origins of the product.

[6] Santos's in-house counsel subsequently wrote to Ms Van Outen stating that Santos understood that she was keeping Snowball bees on her farm, and demanding that the bees be returned and that Ms Van Outen cease supplying Snowball honey to third parties. Ms Van Outen replied through her lawyer that the bees were her property and she owed no obligations to Santos. When further negotiations failed,

Santos brought proceedings against Ms Van Outen seeking: (i) a declaration that Ms Van Outen had converted the bees; (ii) a declaration that the keeping of the bees, the use of the bees to produce honey, and the supply of honey each gave rise to a breach of confidence; and (iii) orders for the delivery up of all bees and honey in Ms Van Outen's possession. By this stage, the dispute had widened to include patent infringement claims in relation to Santos's StampOut maize (*below*).

[7] The first claim made by Santos is that it enjoys property rights in the Snowball bees, and that by hiving them once they swarmed onto her land, Ms Van Outen converted the bees to her own use. However, I am convinced by the reasoning of the English Court of Appeal in *Kearry v Pattinson* [1939] 1 KB 471. In that case it was accepted that whilst bees in their natural state are *ferae naturae*, they can become the subject of a qualified property right if they are hived by a person. This is clearly the case for Santos. However, the qualified nature of this right must be emphasised: if the bees swarm, the property right exists only so long as the bees are in the sight of the owner and that person has the power to pursue them. If the bees land on someone else's land, that person is entitled to hive them and keep them for him or herself (as Ms Van Outen did in this case). It makes no difference to my conclusion that the Snowball bees are a genetically modified strain created by Santos. I therefore reject the claim grounded in conversion.

[8] Santos's second claim is grounded in breach of confidence. It is clear that the subject-matter of the breach of confidence action can include genetic information, as illustrated by the successful claim brought in respect of the nectarine trees in *Franklin v Giddins* [1978] Qd R 72. In that case, the first defendant stole budwood cuttings from the plaintiff's orchard and propagated those cuttings using a grafting process. However, the facts before me differ in one crucial respect, as there was no trespass or other wrong committed by Ms Van Outen in acquiring the Snowball bees. In my view, when Ms Van Outen lawfully took possession of the bees by capturing and hiving them, it was no longer possible to say that their genetic material was information of a confidential character. Ms Van Outen, as the owner of the bees, has the right to keep them and to decipher the nature of their genetic modification. The latter may require some form of reverse engineering such as sequencing the bees' genome. However, I can see no way that Santos could restrain such activity, and am fortified in my conclusions on confidentiality by the statements of Jacob J in *Mars UK Ltd v Teknowledge Ltd* [2000] FSR 138 (Ch).

[9] Even if my conclusion on the confidentiality of the information is incorrect, Ms Van Outen must nevertheless prevail as she owes no obligation of confidence to Santos. There was no active disclosure of information from Santos to Ms Van Outen and therefore any obligation must arise in some other way. Counsel for Santos pointed me to numerous cases in which defendants who have obtained information surreptitiously have been held liable for breach of confidence, including the *Franklin v Giddins* case. She also drew my attention to Lord Goff's famous dicta in *Spycatcher*

in relation to the obviously confidential document wafted by an electric fan onto the street below (*Attorney-General v Guardian Newspapers Ltd (No 2)* [1990] 1 AC 109).

[10] Whilst I agree that a pre-existing relationship is not required for an obligation of confidence to arise, the judgments cited by counsel do not assist Santos's case. In my opinion the existence of some reprehensible conduct is at the heart of the cases concerning the obtaining of confidential information by strangers, at least insofar as information of a commercial nature is concerned. However, the facts do not disclose anything wrongful or dishonest about the circumstances in which Ms Van Outen acquired the relevant information, ie, the genetic information contained in the bees. Nor do I consider it desirable to follow Lord Goff's dicta. It would be dangerous for the law to recognise an obligation of confidence *solely* because the finder of information knew or ought to have known that such information was confidential. This view applies particularly strongly in a case such as this one. Bees are living creatures with their own free will. They are nothing like confidential papers or private diaries. If Santos does not like this result, it should not have kept the bees in the open air, at least not without patent protection. It took the risk of them swarming and, in my view, cannot complain about the consequences.

[11] Given I am of the view that: (i) any quality of confidence in the genetic information was lost (at least vis-à-vis Ms Van Outen) when the bees swarmed and Ms Van Outen lawfully took them into her possession; and (ii) if this is not correct, Ms Van Outen was nevertheless under no obligation of confidence, the claims in relation to breach of confidence must fail.

Claims in relation to the StampOut patent

[12] Santos is the registered holder of Erewhonian Patent No 2,345,678. The invention disclosed in the patent relates to plant cells that have been genetically modified to express a protein that interferes with the replication of the Krabappel mosaic virus. This virus attacks a number of different types of crop (including maize), and leads to stunted growth and reduced yield. However, plants containing the modified cells enjoy heightened resistance to the virus. The patent reads, in part:

Disease-resistant maize

The Krabappel mosaic virus attacks most varieties of maize and is responsible for poor growth characteristics and decreased fertility. This results in poor yields at harvest and a low success rate in the growth of plants from seed. The present invention relates to a method of producing plants which are resistant to the Krabappel mosaic virus involving the modification of the plant by inserting a gene in the genome which expresses the protein BART-10. The presence of this protein is very successful in increasing resistance to infection of the plant by the Krabappel mosaic virus.

The techniques for inserting the BART-10 expressing gene in the maize genome will now be described. ...

Claims

1. A chimeric plant gene which comprises a promoter sequence and a coding sequence for the protein BART-10.

2. A transgenic maize cell, the genome of which has been modified by the introduction of a genetic sequence capable of expressing the protein BART-10.

3. A method of providing resistance to the Krabappel mosaic virus including the modification of the genome of a maize cell by inserting a gene capable of expressing the protein BART-10.

[13] Ms Van Outen does not seek to challenge the validity of this patent, which is not due to expire until 14 May 2028.

[14] Santos commenced marketing and selling seeds for its Krabappel-resistant maize in 2009, under the name “StampOut maize”. Farmers who wish to grow StampOut maize are supplied with seeds for planting and are granted a licence that: (i) permits them to grow a single crop from the seeds and to sell that crop for consumption; and (ii) prohibits them from, *inter alia*: saving or harvesting seed for subsequent replanting; and supplying or selling seed to others. It is estimated that twenty per cent of maize farmers in Erewhon now grow StampOut maize, including three farmers with properties near that of Ms Van Outen. These farmers have all grown StampOut maize since 2010. Santos has also conducted field trials with StampOut maize at its West Erewhonian facility.

[15] Santos has been concerned that non-licensed farmers might also be growing StampOut maize. There is no visible difference between ordinary and StampOut maize, however, the two types of maize can be distinguished using chemical testing for the BART-10 protein, which is not found in normal maize. In 2013, Santos decided to make some investigations. It hired an independent company to take samples of maize growing on public land on the perimeters of several properties in West Erewhon, including that of Ms Van Outen. The results of testing revealed that between five and fifteen per cent of samples tested were StampOut maize. By the time these investigations were complete, Santos and Ms Van Outen were already in negotiation regarding the Snowball bees. When presented with the concerns about the StampOut maize, Ms Van Outen consented to court orders permitting further testing of plants on her land. This testing suggested that of her current maize crop, twelve per cent of plants are of the StampOut variety.

[16] Santos sought an undertaking from Ms Van Outen that she would take all reasonable measures to stop growing StampOut maize, including refraining from

collecting seeds from StampOut plants for the purpose of replanting. Ms Van Outen refused to provide such an undertaking. Her position was (and remains) that: (i) she has never purchased or been given StampOut seeds; (ii) the presence of GM plants on her farm can be explained by GM pollen from nearby farms being blown onto her land (maize being a wind pollinated plant); (iii) she has no desire to grow StampOut maize and would never enter into a licence agreement with Santos; (iv) in the 26 years she has been a farmer, it has been her usual practice – and one that is consistent with local custom in the region of Erewhon in which her farm is located – to save seeds from one maize crop for planting in the next one; and (v) the only way she could comply with Santos’s proposed undertaking would be to abandon her existing practices and buy new seed *every year*, as there is no reasonable way she can differentiate between ordinary and GM plants when selecting the plants from which to collect seeds. With the parties at a stalemate, Santos brought proceedings in relation to both patent infringement and the claims regarding the Snowball bees (*above*).

[17] Section 100(1) of the Patents Act 1980 sets out the circumstances in which a person infringes a patent. Santos argues that Ms Van Outen did one or both of “making” and “using” its invention without its consent, and has therefore infringed its patent. I disagree that by growing StampOut maize amongst her crop and by harvesting seeds (including GM seeds) to be replanted in the future, Ms Van Outen “made” a product falling within the claims, ie, the gene and/or cell. Ms Van Outen did not utilise recombinant DNA techniques to construct a chimeric gene or transgenic cell. It would unduly extend the language of “making” the product in s. 100(1)(a) to hold that it includes growing GM plants or harvesting seeds from them for replanting in the future.

[18] In contrast, I am persuaded that Ms Van Outen has used the invention. Ms Van Outen argued by way of defence that whilst she was in possession of GM plants, such possession was involuntary; and that being in mere possession does not, without more, give rise to an infringement. She relied on an expert report written by Dr Hotenhoffer that the presence of GM plants at a rate of twelve per cent of the entire crop could be explained by wind pollination of her maize with GM pollen from nearby farms. Dr Hotenhoffer noted that seeds from some of these GM plants would in all likelihood be collected by Ms Van Outen for replanting, there being no way to distinguish visually between GM and ordinary maize. Santos, on the other hand, notes that the farmer in *Monsanto v Schmeiser* [2004] SCC 34 was held to have used the invention, which in that case related to Roundup Ready Canola. It was held by the Supreme Court of Canada that mere possession can amount to use where there is an intention to exploit what they termed the “stand-by utility” of an invention. Santos argues that the contention that Ms Van Outen has used its invention is even stronger, as the StampOut modification is inherently advantageous. Santos says that Ms Van Outen’s intention is therefore irrelevant – there was actual use – however, even if some active step or intent to use is necessary, it is made out through her collection and retention of seeds from plants across her entire crop.

[19] I believe Ms Van Outen when she says that she has never purchased or been given any GM seeds, which is supported by the expert opinion (which I also accept) of Dr Hotenhoffer. However, given the inherent benefits conferred by Santos's invention and the strict liability nature of patent infringement, the possession of the GM plants *alone* is sufficient to raise liability. Even if an argument could be made that the appearance of an occasional GM plant ought not to give rise to liability, those are not the facts before me. I therefore find that there has been infringement of each of the claims of Santos's patent.

[20] Santos requests a declaration that Ms Van Outen has infringed its StampOut patent and an injunction prohibiting her from using its invention without a licence. The language of the injunction proposed by Santos will require Ms Van Outen to destroy all StampOut plants and seeds in her possession and will, in practice, prevent her from continuing her usual practice of collecting seeds for replanting. Santos argues that in the absence of such an injunction, the percentage of StampOut maize in Ms Van Outen's crop will only increase over time, as the presence of Krabappel mosaic virus in Erewhon will select for the modified strain, those plants being healthier and more likely to survive and produce a good yield.

[21] I will make the declaration sought by Santos, but after much consideration, have decided that it would be inappropriate to grant an injunction. It is important to remember that an injunction is a discretionary remedy to be granted in accordance with equitable principles: *eBay Inc v MercExchange, LLC*, 547 US 388 (2006). When determining whether it would be appropriate to award an injunction, I must consider not only Santos's property rights (in its patent) but the property rights of Ms Van Outen (including the rights appurtenant to her enjoyment of her land) and the broader public interest. As illustrated by *Miller v Jackson* [1977] QB 966 (CA), property rights come with benefits and burdens. In that case the plaintiffs' right to quiet enjoyment of their land did not automatically trump the rights of others to use the neighbouring sports field to play cricket. On the contrary, in holding that an injunction ought not to have been ordered, Lord Denning MR and Cumming-Bruce LJ weighed the public interest in encouraging sports and recreation as higher than the plaintiffs' interest in enjoying their land without "cricket balls occasionally falling like thunderbolts from the heavens": per Cumming-Bruce LJ at 988G.

[22] In the case before me, I have heard evidence of the longstanding farming practice, engaged in by Ms Van Outen and many others, of harvesting seeds from one season for replanting in the future. I have weighed this right to re-plant, which I see as intrinsically connected with Ms Van Outen's right to use her land, against the rights granted to Santos through the registration of its patent. I have also considered the economic, health and environmental benefits of having a strong agricultural sector within Erewhon. I believe that on balance, it would be inequitable to grant the injunction sought by Santos, and therefore decline to do so. I will schedule a further

hearing to deal specifically with the question of whether it would be appropriate for me to order damages in lieu of an injunction.

Madam Justice Fisher made orders dismissing the claims for conversion and breach of confidence and upholding the claim for patent infringement. She set a date for a further hearing on the question of whether damages ought to be awarded. However, before this hearing took place, the claimants were granted leave to appeal to the Court of Appeal in relation to the breach of confidence claim and the refusal to grant an injunction. The defendant filed a cross-appeal in relation to the conclusion that she had infringed the claimant's patent.

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Patents Act 1980 – extracts

Section 100 Infringement

- (1) Subject to the provisions of this section, a person infringes a patent for an invention if, but only if, while the patent is in force, he or she does any of the following things in Erewhon in relation to the invention without the consent of the proprietor of the patent:
- (a) where the invention is a product, he or she makes, uses, offers for sale, sells, or imports the product for one of these purposes;
 - (b) where the invention is a process, he or she uses, offers for sale, sells, or imports for these purposes at least the product obtained directly by that process;
 - (c) where the invention is a process, he or she uses the process or he or she offers it for use in Erewhon when he or she knows, or it is obvious to a reasonable person in the circumstances, that its use there without the consent of the proprietor would be an infringement of the patent.
- (2) An act which, apart from this subsection, would constitute an infringement of a patent for an invention shall not do so if—
- ...
 - (e) it consists of the use by a farmer of the product of his or her harvest for propagation or multiplication by him on his own holding, where there has been a sale of plant propagating material to the farmer by the proprietor of the patent or with his consent for agricultural use;
 - ...

Section 102 Remedies

- (1) The relief which a court may grant for infringement of a patent includes an injunction (subject to such terms, if any, as the court thinks fit) and, at the option of the plaintiff, either damages or an account of profits.
- (2) ...

Oxford International Intellectual Property Moot 2015

Cases cited by Madam Justice Fisher

Attorney-General v Guardian Newspapers Ltd (No 2) [1990] 1 AC 109

eBay Inc v MercExchange, LLC, 547 US 388 (2006)

Franklin v Giddins [1978] Qd R 72

Kearry v Pattinson [1939] 1 KB 471 (CA)

Mars UK Ltd v Teknowledge Ltd [2000] FSR 138 (Ch)

Miller v Jackson [1977] QB 966 (CA)

Monsanto v Schmeiser [2004] SCC 34