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U.S. Supreme Court Sides with Monsanto in Seed Patent Case

By: Kevin E. Noonan, Ph.D.

The Supreme Court ruled unanimously yesterday in favor of Monsanto in *Bowman v. Monsanto*, a case involving Monsanto's recombinant, Roundup Ready® seeds. The opinion rejected the arguments from petitioner, Indiana farmer Vernon Hugh Bowman, that Monsanto's rights in its seed had been "exhausted" by their first sale (here, to a grain elevator) and that the Court should reject any "special exception" to the first-sale doctrine of patent exhaustion for "self-replicating technologies." Instead, the Court held that Farmer Bowman's activities of replanting so-called commodity seed obtained from a grain elevator was an impermissible "making" of additional copies of Monsanto's invention that were precluded by the Court's precedent going back more than a century. Although cautioning that it was writing narrowly, the Court's opinion by Justice Kagan affirmed the Federal Circuit's decision that Farmer Bowman's activities constituted infringement of Monsanto's patents.

To recap, the case arose as the result of Farmer Bowman replanting Monsanto's patented Roundup Ready® seed claimed in U.S. Patent Nos. 5,352,605 and RE39,247 (a reissue of U.S. Patent No. 5,633,435). Pioneer Hi-Bred, one of Monsanto's licensed seed producers, sold seed to Farmer Bowman, which sale was subject to a Technology Agreement similar to the Agreements Monsanto typically requires for farmers who purchase its seed. Under the Technology Agreement, the licensed grower agreed: (1) "to use the seed containing Monsanto gene technologies for planting a commercial crop only in a single season"; (2) "to not supply any of this seed to any other person or entity for planting"; (3) "to not save any crop produced from this seed for replanting, or supply saved seed to anyone for replanting"; and (4) "to not use this seed or provide it to anyone for crop breeding, research, generation of herbicide registration data, or seed production." It was undisputed that Bowman complied with these provisions as to its "first planting" each year.

Monsanto's complaint arose from Farmer Bowman's "second planting," which was made using so-called "commodity seed" obtained from local grain elevators. Farmers under the Technology Agreement could freely sell seed to grain elevators for commodity use (for example, as cattle feed), which did not include replanting. However, since Farmer Bowman's "second planting" was riskier (in terms of potential yield) he decided to use commodity seed because it was significantly cheaper than Roundup Ready® seed. After planting this seed, Farmer Bowman tested this second crop for Roundup® resistance, and finding that substantial amounts of the seed were resistant, replanted the seed and used Roundup® on these plantings. The District Court granted summary judgment of patent infringement and entered judgment against Farmer Bowman and the Federal Circuit affirmed.

The question presented was relatively straightforward:

Patent exhaustion delimits rights of patent holders by eliminating the right to control or prohibit use of the invention after an authorized sale. In this case, the Federal Circuit refused to find exhaustion where a farmer used seeds purchased in an authorized sale for their natural and foreseeable purpose -- namely, for planting.

The question presented is: Whether the Federal Circuit erred by (1) refusing to find patent exhaustion in patented seeds even after an authorized sale and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies?

The Supreme Court's decision went immediately to the heart of the matter: was replanting a permissible (and exhausted) "use" or an impermissible "(re)making" that remained within the patentee's right to prohibit? The Court's determination that Farmer Bowman's activities comprised "making" rather than "using" was predicated on their understanding that "a single Roundup Ready® seed can grow a plant containing dozens of genetically identical beans, each of which, if replanted, can grow another such plant—and so on and so on." Under these circumstances, according to the Court, Farmer Bowman's "use" of Monsanto's patented seed was not exhausted upon sale from the grower to the grain elevator.

It is clear from the decision that the Court found the equities did not lie with Farmer Bowman. The decision characterizes him as a person who "appreciates Roundup Ready soybean seed" and who "devised a less orthodox approach" for planting his second crop*, i.e.* by replanting commodity seed obtained from a grain elevator. The Justices also recognized the economic considerations at play, stating that "[b]ecause [Farmer Bowman] thought such late-season planting 'risky,' he did not want to pay the premium price that Monsanto charges for Roundup

Ready seed." Farmer Bowman's "risk" that this seed would not be glyphosate resistant was low, according to the opinion, because the seed was sold to the grain elevator from local farmers, "most" of whom planted Monsanto's recombinant seed. The opinion also points out that this was Farmer Bowman's recurring practice over eight growing seasons.

The opinion cites *Quanta Computer, Inc. v. LG Electronics, Inc.,* 553 U. S. 617, 625 (2008) for the general statement of patent exhaustion, and *United States v. Univis Lens Co.,* 316 U. S. 241, 249–250 (1942) for the consequences of the doctrine: the right to use or sell is conferred on the purchaser once an article is purchased, and the patentee's rights extinguished as to these aspects of the patent monopoly. The Court also cites *Univis* for the philosophical bases for exhaustion: "the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward . . . by the sale of the article" and once that "purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold."

Therein lies the distinction the Court finds in its opinion: exhaustion is limited to the "particular article" sold, but "leaves untouched the patentee's ability to prevent a buyer from making new copies of the patented item." The Court bases this distinction on precedent ancient (*Mitchell* v. *Hawley*, 16 Wall. 544, 548 (1873); *Cotton-Tie Co.* v. *Simmons*, 106 U. S. 89, 93–94 (1882)) and more recent (*Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U. S. 336, 346 (1961).; *Wilbur-Ellis Co.* v. *Kuther*, 377 U. S. 422, 424 (1964)). Unfortunately for Farmer Bowman, the Court discerned that he agreed with this precedent as a general principle, but objects to it being applied to his activities. And "[it is] that principle [that] decides the case against him," according to the opinion.

Specifically, Justice Kagan writes that Farmer Bowman had many "uses" for which Monsanto's rights in the commodity seed were exhausted and hence not contrary to law; these include "consum[ing] the beans himself or feed[ing] them to his animals." Reminiscent of *The Little Red Hen,* the Court recites what Farmer Bowman actually did: "[h]e took the soybeans he purchased home; planted them in his fields at the time he thought best; applied glyphosate to kill weeds (as well as any soy plants lacking the Roundup Ready trait); and finally harvested more (many more) beans than he started with."

The Court then addressed the policy bases for this decision, wherein if it were otherwise "Monsanto's patent would provide scant benefit." Monsanto would certainly receive the benefit of its "first sale" but none thereafter, because "in short order, other seed companies could reproduce the product and market it to growers, thus depriving Monsanto of its monopoly." (This

scenario would apply to farmers themselves who would save their seed for additional rounds of planting, according to the opinion.) And of significance the opinion asserts that this (re)production of Monsanto's seed could occur "*ad infinitum* – each time profiting from the patented seed without compensating its inventor," with Bowman's late-season plantings "offer[ring] a prime illustration."

The Court also acknowledged its last case in the plant area, *J. E. M. Ag Supply, Inc.* v. *Pioneer Hi-Bred Int'l, Inc.*, 534 U. S. 124 (2001), asserting that its decision here was consistent with this earlier opinion. *J.E.M.* established, according to the Court, that one of the differences between a certificate obtained under the Plant Variety Protection Act and a patent granted under the Patent Act was that the patentee *could* "prohibit '[a] farmer who legally purchases and plants' a protected seed from saving harvested seed 'for replanting.'" Bowman asked the Court to arrive at the opposite conclusion, and the Court refused the invitation to distinguish Bowman's behavior from the rubrics set down in the *J.E.M.* case. ("Those limitations would turn upside-down the statutory scheme *J. E. M.* described.")

The Court also rejected Farmer Bowman's complaint that Monsanto was seeking an exception to the exhaustion doctrine for its seed, saying that "it is really Bowman who is asking for an unprecedented exception—to what he concedes is the 'well settled' rule that 'the exhaustion doctrine does not extend to the right to "make" a new product.'" Following Bowman's position would have a patent "plummet in value" after the first sale and effectively limit the patent term from 20 years to a single transaction. "And that would result in less incentive for innovation than Congress wanted," says the Court.

The Court understands the situation *status quo* prior to Farmer Bowman's activities to strike the right balance between the farmers' rights and Monsanto's, noting that farmers purchased Roundup Ready seeds with a license to plant them, thereby benefiting their crops and "reward[ing] Monsanto for its innovation. And Farmer Bowman was not injured under this regime, in the Court's opinion, because "a non-replicating use of the commodity beans at issue here was not just available, but standard fare," *i.e*., use of the commodity beans as animal feed.

Turning to Farmer Bowman's final argument ("seeds-are-special"), the Court rejected what it termed the "blame the bean" defense, calling it "tough to credit." As the Court understood Farmer Bowman, it was the beans that sprouted and made the new soybean crop, not him, and the Court disparaged this argument straightforwardly:

Bowman was not a passive observer of his soybeans' multiplication; or put another way, the seeds he purchased (miraculous though they might be in other respects) did not spontaneously create eight successive soybean crops. As we have explained, Bowman devised and executed a novel way to harvest crops from Roundup Ready seeds without paying the usual premium. He purchased beans from a grain elevator anticipating that many would be Roundup Ready; applied a glyphosate-based herbicide in a way that culled any plants without the patented trait; and saved beans from the rest for the next season. He then planted those Roundup Ready beans at a chosen time; tended and treated them, including by exploiting their patented glyphosate resistance; and harvested many more seeds, which he either marketed or saved to begin the next cycle. In all this, the bean surely figured. But it was Bowman, and not the bean, who controlled the reproduction (unto the eighth generation) of Monsanto's patented invention.

The Court was careful to announce that its decision was limited, and that it was not establishing a general rule for "self-replicating technologies." Analogous to the statutory rationale that applies to copyrighted software (17 U.S.C. §117(a)(1)), the Court envisioned future inventions or circumstances where "the article's self-replication might occur outside the purchaser's control. Or it might be a necessary but incidental step in using the item for another purpose."

In its decision, the Court wisely refrained from setting out a "bright line" rule for self-replicating technologies, while at the same time rendering a decision that eliminates arguments contrary to patenting recombinant seed having beneficial traits. The Court also, *sub silentio*, seemed to approve Monsanto's practice of restricting by its Technology Agreement replanting of Roundup Ready® seeds purchased from Monsanto. While the specific question of the legality of these agreements was not before the Court, it would appear that the grounds the Court found sufficient to prohibit Farmer Bowman from replanting commodity seed purchased from grain elevators would apply even more strongly to prohibitions imposed upon sale from Monsanto that farmers expressly agreed to by signing the Technology Agreement. This decision puts to rest these types of challenges in the recombinant seed industry, and brings a level of certainty that will "[p]romote the [p]rogress" of this useful art as Congress and the Framers no doubt intended.

The opinion can be found at http://www.supremecourt.gov/opinions/12pdf/11-796_c07d.pdf

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