BOWMAN v MONSANTO: UNANIMOUS NARROW RULING LEAVES OPEN QUESTIONS WITH RESPECT TO OTHER SELF-REPLICATING TECHNOLOGY AND THE CONDITIONAL SALE DOCTRINE

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On May 13, 2013, in *Bowman v Monsanto*,[1] the U.S. Supreme Court ruled that by growing new generations of seed beyond the first authorized planting, Vernon Bowman infringed Monsanto Co's patents for Roundup Ready seeds. In a unanimous opinion authored by Justice Kagan, the Supreme Court held that patent exhaustion does not permit a farmer to reproduce patented seeds through planting and harvesting without the patent holder's permission, thereby affirming the decision of the U.S. Court of Appeals for the Federal Circuit. The Court expressly limited its holding to the seed technology in question, but suggested the possibility of a different result if the self-replication occurred outside the purchaser's control or if the self-replication was "a necessary but incidental step in using the item for another purpose."[2] Additionally, the opinion did not address the conditional sale doctrine.

Bowman's Activities

Monsanto invented and patented Roundup Ready soybean seeds, which are seeds that have been genetically altered to survive exposure to glyphosate, an active ingredient in many herbicides, including Monsanto's Roundup product.[3] Monsanto and its seed company licensees sell the seeds to growers who execute a license agreement permitting them to plant the seeds for one growing season and then either consume or sell the resulting soybeans as a commodity.[4] By accepting the license, growers agree not to save or supply any of the harvested soybeans for replanting to generate additional Roundup Ready soybeans.[5]

Bowman purchased Roundup Ready soybean seed for his first crop of each growing season, but for his riskier late-season planting, purchased soybeans from a grain elevator, an entity that purchases grain from farmers to sell as a commodity for consumption rather than for re-planting.[6] Because many farmers use Monsanto Roundup Ready seeds and then sell their soybeans to grain elevators, Bowman surmised that many of the soybeans he purchased would contain Monsanto's patented technology.[7] Indeed, after planting the commodity soybeans and treating them with glyphosate, thereby killing all of the plants lacking the Roundup Ready trait, a significant number of plants survived and produced a new crop of soybeans with the Roundup Ready trait.[8] Bowman then saved seed from that crop and planted it, repeating the cycle until he had harvested eight crops.[9]

The Litigation

Monsanto learned about Bowman's practice and sued him for infringing its patents on Roundup Ready seed.[10] Bowman raised the defense of patent exhaustion. As the Supreme Court explained in *Quanta Computer, Inc. v LG Electronics, Inc.*, under the patent exhaustion doctrine, "the initial authorized sale of a patented article terminates all patent rights to that item."[11] Bowman argued that Monsanto could

1) 569 U.S. ___ (2013), slip. op.
2) *Id*. at 10.
3) *Id*. at 1.
4) *Id*. at 2.
5) *Id*.
6) *Id*. at 2-3.
7) *Id*. at 3.
8) *Id*.
9) *Id*.
10) *Id*.
11) 553 U.S. 617, 625 (2008).

not control his use of the soybeans because the authorized sale from local farmers to the grain elevator exhausted Monsanto's rights.[12] The District Court rejected Bowman's defense and awarded Monsanto damages of $84,456.[13] The Federal Circuit affirmed, reasoning that patent exhaustion did not protect Bowman because he had "created a newly infringing article."[14]

The Supreme Court's Unanimous Opinion

The Supreme Court affirmed the ruling of the Federal Circuit and held that patent exhaustion does not permit a farmer to reproduce patented seeds through planting and harvesting without the permission of the patentee. The Court explained that the patent exhaustion doctrine restricts the patentee's rights only with respect to the "particular article" sold and does not limit a patentee's right to prevent a purchaser from making new copies of the patented article.[15] By planting and harvesting Monsanto's patented seeds, Bowman made additional copies of Monsanto's patented invention without its permission and, therefore, was not protected by the patent exhaustion doctrine. If this were not the case, Monsanto's patent would be of limited value, as farmers would only need to buy the seed once and competition from saved seed would soon deprive Monsanto of the rewards the patent system was intended to secure.[16] The doctrine of patent exhaustion is "limited to the 'particular item' sold to avoid … the mismatch between invention and reward."[17] The Court also explained how its holding followed from *J. E. M. Ag Supply, Inc. v Pioneer Hi-Bred Int' l, Inc.*, 534 U.S. 124 (2001), in which the Court explained that a patent holder could prohibit a farmer who legally purchases and plants a patented seed from saving harvested seed for planting.[18]

The Supreme Court also rejected Bowman's argument that exhaustion applies because seeds are customarily planted. Bowman contended that allowing Monsanto to limit that use would create an "impermissible" exception to the patent exhaustion doctrine applicable solely to seed and other self-replicating technology.[19] The Court evaluated Bowman's contention and determined that Bowman was the one asking for an exception to the rule.[20] By planting seeds intended for consumption, he was in a "peculiarly poor position" to argue that he cannot make effective use of his soybeans.[21] Additionally, in light of his procurement, planting, harvesting and usage of the patented seed, the Court rejected Bowman's argument that because soybeans naturally self-replicate unless they are stored in a controlled manner, the planted soybeans, not Bowman himself, replicated Monsanto's patented invention.[22] The Court also stated that its holding that patent exhaustion defense did not protect Bowman's activities "is limited—addressing the situation before us, rather than every one involving a self replicating product. We recognize that such inventions are becoming ever more prevalent, complex, and diverse."[23]

Implications

Central to the Supreme Court's analysis is that Bowman planted Monsanto's patented soybeans to grow additional patented seed, thereby depriving Monsanto of the protections patent law provides for the sale of each article. The court focused on Bowman's goal and activities to intentionally create additional copies of the patented article.

The Court expressly noted that it did not address whether or how the doctrine of patent exhaustion would apply when the article's self-replication occurs outside the purchaser's control or when self-replication is a necessary but incidental step in using the item for another purpose, noting the exception in the Copyright Act for reproduction that is an essential step in the utilization of a computer program (e.g. creating a copy of a copyrighted program in the computer's memory).[24] While the Patent Act does not contain a similar statutory exemption, the Court's opinion left open the possibility of recognizing a judicially-created exemption where replication is necessary to utilize a purchased good protected by a patent. The Court also left for another day more specific guidance with respect to self-replicating biotechnology, e.g., microorganisms, cell lines and synthetic molecules, but the decision raises the possibility that the Court may protect unknowing infringers who are passive rather than active with respect to the self-replication of their purchased articles.

12) 569 U.S. ___ (2013), slip. op. at 3.

13) *Id*.

14) 657 F.3d. 1341, 1348 (2011).

15) 569 U.S. ___ (2013), slip. op. at 4-5.

16) *Id*. at 6.

17) *Id*. at 7.

18) *Id*.

19) *Id*. at 8.

20) *Id*.

21) *Id*.

22) *Id*. at 9.

23) *Id*. at 10.

24) Cf. 17 U. S. C. §117(a)(1) ("[I]t is not [a copyright] infringement for the owner of a copy of a computer program to make … another copy or adaptation of that computer program provide[d] that such a new copy or adaptation is created as an essential step in the utilization of the computer program").

The Supreme Court also did not address the "conditional sale" doctrine, which some observers thought was the Court's rationale for granting certiorari in this case. A conditional sale is a sale of the patented article along with an agreement that restricts the rights of the purchaser to resell or use the purchased patented article in some specified manner. For example, manufacturers of life sciences tools may restrict usage of some tools to research, which permits non-profit institutions to purchase such "research only" tools at lower costs than their commercial counterparts. Overturning the conditional sale doctrine could render such agreements unenforceable.

Bowman contended that the Federal Circuit's conditional sales doctrine has improperly restricted the exhaustion doctrine since *Mallinckrodt, Inc. v Medipart, Inc.* in which the Federal Circuit held that patent rights were not necessarily exhausted after any authorized sale and a medical device manufacturer could contractually prohibit a buyer from reusing a medical device as that restriction was reasonably within the patent grant.[25] In its amicus brief in support of affirmance, the United States argued that the conditional sale doctrine is contrary to Supreme Court precedent.[26] At oral argument, the Assistant to the Solicitor General for the United States noted that the Federal Circuit has "not applied their previous version of the Conditional Sale Doctrine to enforce the post-sale restrictions since this Court's decision in Quanta".[27] The Federal Circuit's opinion did not rely on any post-sale restrictions by Monsanto and the conditional sale doctrine was not directly implicated in *Bowman v Monsanto* because the infringing crop was never sold to Bowman. For now, the conditional sale doctrine is still viable, particularly where the innovator must recoup its investment on the first sale.

Although it left some open issues, the Supreme Court's narrow opinion unequivocally held that the doctrine of patent exhaustion does not permit a farmer to reproduce patented seeds through planting and harvesting without the patent holder's permission.*

25) 976 F.2d 700 (1992).

26) Brief of the United States as Amicus Curiae Supporting Affirmance, 2013 WL 137188, *29-32 (Jan. 6, 2013).

27) Transcript of Oral Argument at 34, *Bowman v Monsanto*, 569 U.S. ___ (2013) (No. 11-796).

* Arnold & Porter LLP filed an Amicus Brief on behalf of Economists as Amicus Curiae in support of Respondents. The brief is available at http://www.innovationatstake.com/assets/11-796bsacBriefOfEconomists.pdf.