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Sowing the Seeds of Patent Infringement

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On May 13, 2013, the Supreme Court delivered a unanimous decision determining that the doctrine of patent exhaustion does not provide a safe haven for a farmer to create new seeds by reproducing patented seeds through planting and harvesting without the patent holder's permission. The case, *Bowman v. Monsanto Co.*, affirms that the patent exhaustion doctrine does not extend to the right to *make* a new product.

Monsanto sells patented, genetically modified soybean seeds that are resistant to many herbicides, most notably, Monsanto's own Roundup® agricultural herbicide. Monsanto markets these "Roundup Ready®" seeds to farmers seeking to use herbicides to kill weeds without damaging their crops. Farmers who use the Roundup Ready soybean seeds must enter into a special licensing agreement that permits farmers to use the seeds for one growing season only. Moreover, under the agreement, farmers may not save any of the harvested soybeans for replanting. Thus, the agreement's terms essentially prevent farmers from producing their own Roundup Ready seeds from seeds purchased from Monsanto, and instead requires farmers to buy new seeds from Monsanto each season.

Mr. Bowman devised an interesting approach to circumvent Monsanto's restrictions. For his first crop of each season, he would purchase Monsanto's Roundup Ready soybean seeds from an authorized dealer. Pursuant to the terms of the special licensing agreement, Bowman used all the seeds for planting, and sold the entire crop to a grain elevator. However, recognizing that planting a second crop late in the season was a more risky proposition, Bowman decided that he did not want to pay for the premium-priced Roundup Ready seeds sold by Monsanto. Instead, Bowman purchased soybeans from a grain elevator—seeds that are intended for human or animal consumption—and planted them in his fields. As most of the farmers who sold soybeans to the grain elevator used Roundup Ready seed, a significant proportion of Bowman's new crop carried the Roundup Ready genetic trait. Bowman then saved the seed from that crop to use in his late-season crop the next year.

Monsanto caught wind of Bowman's activities and sued him for patent infringement in federal court in Indiana. The District Court rejected Bowman's patent exhaustion defense that Monsanto could not control his use of the soybeans because they were the subject of a prior authorized sale. The District Court awarded damages to Monsanto of $84,456. The Federal Circuit affirmed the District Court decision, reasoning that the patent exhaustion doctrine does not apply to Bowman because he had "created a newly infringing article."

In a succinct opinion, Justice Kagan made quick work of Bowman's arguments that the doctrine of patent exhaustion prevented Monsanto from controlling his use of the soybeans he purchased from the grain elevator because those seeds were the subject of a prior authorized sale, namely the sale from other local farmers to the grain elevator. Noting that the exhumation doctrine restricts a patentee's rights only as to the "particular article" sold, Justice Kagan points out that the doctrine leaves untouched the patentee's ability to prevent a buyer from making new copies of a patented item, *i.e.*, the seeds borne from the purchased article. Justice Kagan explains that the "second creation" of a patented item implicates the monopoly conferred by the patent grant because the patent holder has "received his reward" for only the actual article sold, not subsequent recreations of it. Bowman himself conceded that it is a "well-settled" principle "that the exhaustion doctrine does not extend to the right to 'make' a new product." As the Court explained, "[u]nder the patent exhaustion doctrine, Bowman could resell the patented soybeans he purchased from the grain elevator; so too he could consume the beans himself or feed them to his animals . . . [b]ut the exhaustion doctrine does not enable Bowman to make additional patented soybeans without Monsanto's permission (either express or implied)."

The Court was careful to limit its decision to the particular circumstances of the case before it: "Our holding today 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. In another case, 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.”

Nevertheless, the ruling will undoubtedly have implications for various industries that utilize replicating technologies, including agriculture, biotechnology, and software.