Bowman v. Monsanto Co. Et Al.
(Supreme Court of the United States, 13 May 2013)

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Summary

In *Bowman v. Monsanto Co. et al*. (hereinafter *Bowman/Monsanto*) the United States Supreme Court decided that the use by a purchaser of self-replicating soybeans for planting purposes amounts to a reproduction of new soybeans and is therefore not covered by patent exhaustion.[1] The Court for the first time decided that the planting of soybean seeds affects the exclusive right of making and does not constitute a mere use of the purchased seeds. The Supreme Court thus confirmed an earlier judgment by the Court of Appeals for the Federal Circuit.

The facts

Monsanto holds several patents on technology ("Roundup Ready"®) to modify the genetic material of soybean seeds to become resistant to the herbicide glyphosate, including Monsanto's own herbicide "Roundup"®. This enables farmers to easily treat weeds in soybean fields by spraying the soybean plants with Roundup without fear of affecting the crops' reproductive or nutritional capacities. Bowman, a soybean farmer, purchased Roundup Ready seeds under a "Technology Agreement", which allows planting of the purchased seeds, but obliges farmers not to use the progeny of purchased seeds for planting, but for other purposes such as consumption as animal feed or sales to grain elevators. Bowman bought "commodity seeds" from such a grain elevator, which he knew contained patented Roundup Ready second-generation seed produced by other farmers. These seeds were specifically packaged for uses other than planting (i.e. for use as animal feed, etc.). Bowman nevertheless used them for planting purposes and also replanted several generations of the seeds' progeny. Monsanto sued Bowman not for infringement of the Technology Agreement, but for patent infringement regarding the planting of Roundup Ready second-generation seeds contained in the commodity soybeans.

The legal issues

The key issue in this case concerned the question whether Bowman by planting the purchased commodity soybean seeds infringed Monsanto's patent. Bowman invoked the defense of patent exhaustion, arguing that Monsanto's first sale of the patented seeds had exhausted its exclusive distribution rights in the first and all subsequent generations of seeds. Consequently, Bowman considered himself free to use the purchased (second generation) seeds at his discretion. Monsanto by contrast argued that the planting of seeds not only constituted use of the purchased seed, but equally the making of new seed, which is not covered by patent exhaustion and therefore constitutes patent infringement. Even if the planting of the purchased seed were to be considered as "use" of the patented article (as opposed to its making), exhaustion would not apply to subsequent generations of that seed, as Monsanto had only authorized the sale of the first generation.

[1] *Bowman v. Monsanto Co. et al*, 133 S. Ct. 420 (2013) (hereinafter Opinion of the Court).

The Supreme Court in a rather brief and unanimous opinion rejected Bowman's view and confirmed Monsanto's position. In the Court's view, the planting of seed constitutes "making" of a new product and is therefore not subject to the doctrine of patent exhaustion.[2] The Court referred to the meaning of "make" as *inter alia* "plant and raise a crop".[3] It used a policy argument to confirm its view, namely that under Bowman's approach, Monsanto's patent would provide little benefit to the inventor, as any legitimate purchaser would be authorized to replicate one purchased seed infinitely but would not compensate the inventor for any of those subsequent creations of new seeds. The Court stated that in order to avoid "such a mismatch between invention and reward", the exhaustion doctrine was limited to the particular item sold.[4] It rejected Bowman's view that exhaustion should be permitted because the planting of seeds would constitute the most typical way of using purchased seeds. According to the Supreme Court, exhaustion cannot be used to challenge the patentee's right to exclude others from making the protected product. Otherwise, the value of the patent would only extend to one transaction (i.e. the first sale of one article) and "that would result in less incentive for innovation than Congress wanted."[5]

The Supreme Court considered that a fair balance could be maintained despite the absence of exhaustion. As seed purchasers could use the seeds for other, i.e. non-planting purposes such as consumption, they would not be deprived of appropriately using the purchased seed. Since the commodity soybeans Bowman purchased were packaged specifically for purposes of consumption as opposed to planting,

> "Bowman stands in a peculiarly poor position to assert such a claim. […] So a non-replicating use of the commodity beans at issue here was not just available, but standard fare. […] Applying our usual rule [i.e. of denying exhaustion for activities affecting the "making" of the invention] in this context therefore will allow farmers to benefit from Roundup Ready, even as it rewards Monsanto for its innovation."[6]

Finally, the Court rejected Bowman's view that his planting could not constitute "making" as it relied on a natural process of growing. The Court did not only consider the natural growing process triggered after planting the seeds, but Bowman's deliberate strategy of creating several generations of seeds:

> "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. […] [I]t was Bowman, and not the bean, who controlled the reproduction (unto the eighth generation) of Monsanto's patented invention."[7]

[2] Opinion of the Court, pp. 5/6.
[3] Ibid, p. 6.
[4] Ibid, p. 7.
[5] Ibid, p. 8.
[6] Ibid, pp. 8/9.
[7] Ibid, pp. 9/10.

Importantly, the Supreme Court at the end of its opinion emphasized the limited character of this judgment. It stated that the holding only applied to the particular "situation before us", as opposed to other self-replicating products.[8] The Court in that context expressly referred to situations where the self-replication might occur outside the purchaser's control or where it might constitute a necessary but incidental step in the use of the article for another purpose, such as the copying of computer programs under certain circumstances.[9]

Points of significance

- The particular difficulty in this case concerns the question whether the exhaustion / first sale doctrine applies to self-replicating technologies. The problem is that one of the most typical uses of soybean seeds, i.e. their planting, at the same time produces a new product containing the patented technology.
- The Supreme Court clearly considered the planting of soybeans as making of a new patented article, thus denying the application of the doctrine of exhaustion. The main rationale behind the court's opinion was the policy argument that the application of the first sale doctrine to the planting of soybeans would prevent Monsanto from recouping the expenses invested in seeds research and development.
- The same reasoning may not apply in a developing country context, where traditional farming practices such as the free use and exchange of seeds *inter alia* for planting purposes are much more important than in the United States and where consequently Monsanto does not see its main markets to make benefits.
- The Supreme Court expressly limited its opinion to soybeans, leaving open the potential application of IP exhaustion to other self-replicating technologies such as computer software and even other seeds. The Court indicated that self-replications that cannot be controlled by the purchaser but constitute a necessary step in the use of the technology for another purpose may be assessed differently.
- Other jurisdictions, such as the EU, follow the same approach denying exhaustion to self-replicating seeds. But the EU has created specific exceptions in its patent and plant variety legislation to nevertheless enable farmers to plant the progeny of protected seed. The EU has adopted a "use-and-pay" approach, obliging the holders of certain seed patents and plant variety rights to let farmers plant subsequent generation seed in exchange for compensation.

Key words
Exhaustion, first sale, self-replicating technologies.

Available at
http://www.supremecourt.gov/opinions/12pdf/11-796_c07d.pdf

[8] Ibid, p. 10.
[9] Ibid.