

**W**hat a crazy few months 2013 already has been in relation to biotechnology-related regulatory happenings. The unanimous decision earlier this month by the Supreme Court, in *Bowman vs. Monsanto*, could have major impact on the patent rights of GMO seed makers, though Justice Elena Kagan seemed to be playing it down in her written opinion (see FCN May 17, 2013, Page 5). Here's what two intellectual property attorneys from the esteemed firm of Faegre Baker Daniels, in Minneapolis, Minn., say is the true meaning of the case. – J. Huffman

## “Blaming the Bean” Does Not Excuse Patent Infringement

By William L. Roberts & Ari B. Lukoff

**O**n May 13, 2013, Justice Elena Kagan, writing for a unanimous Supreme Court, rejected a major challenge to the use of technology agreements to limit a farmer's ability to save or sell patented seed for replanting. The court also reaffirmed that utility patents provide effective protection as a means of preventing seed saving and replanting, and rejected a farmer's attempt to maneuver past those protections by purchasing commodity seed from a grain elevator.

Most importantly, the *Bowman vs. Monsanto* decision reinforces the economic model underlying the seed industry. The decision confirms that innovative seed producers can continue to invest in new technologies with a reasonable expectation of being able to protect those innovations in the marketplace. Farmers are now on notice that patent license restrictions in technology agreements are binding and enforceable. Seed producers, farmers and consumers should expect more innovation, more genetically modified seeds, and the continued decline of the use of commodity seeds for planting.

But there are quite a few other significant take-home lessons from the case as well.

On the off chance that you don't recall what happened to set up the Supreme Court's review of *Bowman vs. Monsanto*, here's a quick review:

Monsanto patented a genetically modified soybean called “Roundup Ready” that is resistant to the Roundup (glyphosate)-based herbicides in the '90s. Monsanto sells these seeds itself and also licenses other seed producers who incorporate the patented Roundup

Ready trait into their own seed varieties. Monsanto's Roundup Ready technology is among the most rapidly adopted and widely used technologies of all time, accounting for more than 90% of all soybeans grown in the United States.

Sales of Roundup Ready soybeans are governed by the “Monsanto Technology Agreement.” Under the Technology Agreement, a grower agrees to grow the soybean only in a single season, and not carry the soybean line forward into any succeeding generations by saving and replanting seed. Although the Technology Agreement bars a grower from saving and replanting a second generation of seed, it allows a grower to sell that second generation to a grain elevator who could then re-sell that second generation seed (together with seeds from other sources) as commodity seed.

Farmer Vernon Hugh Bowman, of Knox County, Ind., purchased Roundup Ready seed from a licensed seed producer, and planted it as his first crop of soybeans every year between 1999 and 2007. In addition, he also planted a late-season, second crop of soybeans. This second crop of soybeans was riskier, however, and in order to decrease the price he paid for seed, he purchased commodity seed from a local grain elevator. Bowman treated his second-crop with Roundup herbicide, thereby killing any plants that did not have the Roundup Ready gene.

Most of Bowman's commodity plants survived the treatment. (This may have been due to the fact that nearly all soybean acres planted in Indiana were planted using Roundup Ready soybeans.) Bowman saved and replanted successive generations of plants grown from this commodity seed as his second crop each year, but also continued to purchase new



Roundup Ready soybeans from a Monsanto licensed-producer each year for his first crop.

Bowman fully disclosed what he was doing in a series of letters to Monsanto.

Monsanto sued Bowman for patent infringement stemming from his growing of the commodity seed, and the trial court found that Bowman had infringed Monsanto's patents. Both the trial court and the appellate federal circuit court considered whether the doctrine of patent exhaustion meant that Monsanto had no right to curtail Bowman's growing of the commodity seed he had purchased.

According to the doctrine of patent exhaustion, an “authorized sale” of a patented product exhausts all of the patent holder's rights to control subsequent sales or uses of that product. In general, patent exhaustion means that once a patent holder sells a product covered by a patent, the patent holder cannot prevent the buyer from using the product or selling that particular product purchased to another person.

This doctrine is not limitless, however: While patent exhaustion allows a purchaser to use or sell the particular product purchased, it does not permit the purchaser to modify or “repair” the purchased product such that the product is made into an entirely new product.

### The decision

In his representation of Bowman during the Supreme Court's February hearing, Seattle-based attorney Mark Walters warned against “choosing patent rights over personal property rights.” Bowman purchased Roundup Ready soybeans

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without restriction from a grain elevator and was free to do with them as he wished, he argued.

“The infringement lies in the fact that he made Generation 3 soybeans,” countered Justice Stephen Breyer. “He can sell Generation 2 soybeans, but he can’t create Generation 3. He’s made a copy of a patented invention.”

“If you apply the law that way, you’re eliminating the [patent] exhaustion doctrine,” Walters said.

“There’s lots you can do with Generation 2, but you can’t make copies of a protected invention,” Breyer responded. “That doesn’t have to anything to do with exhaustion.”

“You’re taking away the exhaustion doctrine from a self-replicating invention,” said Walters. “This is about purchasers’ rights. This court has always upheld purchasers’ rights over patent rights.”

“Monsanto wants farmers to assume all the risks and control all the risks,” Walters added. “This isn’t a license; it’s a sale. Progeny seeds are owned outright by the farmer.”

However, Walters’ arguments were made in vain. In the decision handed down May 13, the Supreme Court held that while patent exhaustion applied to the seeds Bowman purchased from the grain elevator, it did not shield Bowman from patent infringement for planting and making a new generation of seeds.

In this context, patent exhaustion meant that Monsanto could not interfere in

were permitted to replant purchased seed, “[t]he grower could multiply his initial purchase, and then multiply that new creation *ad infinitum* – each time profiting from the patented seed without compensating its inventor.”

The Supreme Court rejected Bowman’s arguments that “seeds are special,” because they self-replicate and automatically sprout unless stored in a controller environment. The Supreme Court characterized this defense as a “blame-the-bean” defense, and found that it was “tough to credit.”

“Bowman was not a passive observer of his soybeans’ multiplication; or put another way, the seeds her purchased . . . did not spontaneously create eight successive soybean crops,” Kagan wrote. Bowman purchased the seeds from a grain elevator, planted them, sprayed them with Roundup herbicide, tended to them, and harvested them. Thus, Bowman controlled the reproduction of Monsanto’s patent beans, and in so doing, made a new generation of seed. Bowman’s making of a new generation was patent infringement.

### Consistent with 2001 PVP decision

The Supreme Court also found that its decision was consistent with another seminal decision regarding Plant Variety Protection (PVP) Certificates. In *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), the Supreme Court held that the protections afforded by PVP Certificates are different from utility patents like the one that covered Monsanto’s seed.

Bowman argued that the PVP Certificate exemption for planting and replanting seeds was a “substantial” exemption; that the Supreme Court’s decision in *J.E.M.* was a “substantial” exemption of a “substantial” right under *Bowman*.

However, Justice Kagan made clear that the Supreme Court’s *Bowman* decision was narrow in scope, and that it was not intended to apply to all self-replicating technologies. In some cases, self-replication might occur outside of the purchaser’s

control; in other cases, the replication might be a necessary step in using the technology. In those cases, copying a patented product may not be patent infringement. In the *Bowman* case, the Court held narrowly that patent exhaustion does not apply to a self-replicating seed where some interaction is needed in order to cause the seed to replicate.

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