

U.S. Supreme Court Qualifies Patent Exhaustion

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SUMMARY

On May 13, 2013, the U.S. Supreme Court, in the case of *Bowman v. Monsanto*, decided whether a soybean farmer infringed Monsanto's patent by replanting patented soybeans harvested from previous crops. The Court unanimously 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." Although the Court did not extend its decision to other technologies, the decision may be applicable to companies holding patents protecting recombinant cells, viruses, and other agents capable of genetic replication. Therefore, patent owners may consider including provisions prohibiting "the making and marketing of replicas" in licenses to such compositions of matter.

On May 13, 2013, the U.S. Supreme Court gave Monsanto a resounding victory in its unanimous decision in the case of *Bowman v. Monsanto*. At issue in the case was whether the doctrine of patent exhaustion protected Bowman, a soybean farmer, from infringement of Monsanto's patent by replanting patented soybeans harvested from previous crops. The Court unanimously held that a farmer cannot "reproduce patented seeds through planting and harvesting without the patent holder's permission."

Monsanto genetically engineered soybean plants resistant to the herbicide glyphosate ("Roundup") and has patents covering the Roundup Ready technology. Soybean plants grown from Roundup Ready seeds are resistant to glyphosate and that resistance is transmitted genetically to plants grown from their seeds.

Farmers that purchase Roundup Ready soybeans must sign a restrictive license agreement. Under the terms of the license, harvested soybeans may be consumed or sold, but they may not be saved for replanting or supplied to anyone else for that purpose.

Bowman attempted to circumvent the restrictions of Monsanto's patent and licensing agreement by purchasing soybeans harvested by local farmers from a grain elevator that sold the soybeans for consumption. The soybeans included beans harvested from Roundup Ready crops. Bowman grew crops from the purchased seed, selected glyphosate resistant plants, and harvested the seeds, thereby obtaining glyphosate resistant seeds for future plantings.

Monsanto sued Bowman for infringing the patents protecting the Roundup Ready technology. Bowman defended his actions as permitted under the doctrine of patent exhaustion. Under that doctrine "the initial authorized sale of a patented item terminates all patent rights of that item," *Quanta Computer, Inc. v. LG Electronics, Inc.*, and provides the purchaser "the right to use [or] sell" the thing as he sees fit. *United States v. Univis Lens Co.* The District Court rejected this defense, and that decision was affirmed by the Federal Circuit. Bowman appealed the Federal Circuit's decision to the Supreme Court.

The Court unanimously affirmed the Federal Court's decision. The Court found that the doctrine of patent exhaustion is restricted to the item actually sold. The doctrine does not limit the patent owners' ability to prevent a buyer from making copies of the patented item. Although the Court did not address patent exhaustion as it relates to other self-replicating products and technologies, e.g., recombinant cells, viruses, and other agents capable of genetic replication, it is tempting to speculate that the Court's reasoning would likely be applicable to companies holding patents protecting such compositions of matter, where a buyers seeks "to make and market replicas of them, thus depriving the company of the reward patent law provides for the sale of each article."

Nevertheless, this decision represents not only an important victory for Monsanto but also appears to portend well for patent owners seeking to limit a purchaser's ability to "make and sell endless copies" of a patented product.

Members of Saul Ewing's Life Sciences and Intellectual Property & Technology practices can help you determine what this court decision means for you and your organization. For more information, contact Melissa Hunter-Ensor, Peter C. Lauro or the Saul Ewing attorney with whom your normally work.

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