

No. 11-

IN THE
Supreme Court of the United States

VERNON HUGH BOWMAN,

Petitioner,

v.

MONSANTO COMPANY and
MONSANTO TECHNOLOGY LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Patent exhaustion delimits rights of patent holders by eliminating the right to control or prohibit use of the invention after an authorized sale. In this case, the Federal Circuit refused to find exhaustion where a farmer used seeds purchased in an authorized sale for their natural and foreseeable purpose—namely, for planting. The question presented is:

Whether the Federal Circuit erred by (1) refusing to find patent exhaustion in patented seeds even after an authorized sale and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies?

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PETITION FOR A WRIT OF CERTIORARI

A seventy-four-year-old Indiana farmer, Vernon Hugh Bowman, respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011). Appendix (“App.”) 1a-18a.

The opinion of the United States District Court for the Southern District of Indiana granting Monsanto Company’s and Monsanto Technology LLC’s motion for summary judgment of infringement is reported at *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834 (S.D. Ind. 2009). App. 31a-43a.

STATEMENT OF JURISDICTION

The United States Court of Appeals for the Federal Circuit entered judgment on September 21, 2011. The jurisdiction of this Court is proper based on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 271 of the Patent Act, 35 U.S.C. § 271, provides, in relevant part: Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United

States, or imports into the United States any patented invention during the term of the patent thereof, infringes the patent.

STATEMENT OF THE CASE

I. Monsanto's Roundup Ready® Technology and Its Technology Agreement.

Monsanto Company and Monsanto Technology LLC (collectively “Monsanto”) developed biotechnology (App. 20a) that is at the heart of the present dispute. This technology permits Monsanto or one of its licensed seed producers to transfer a gene into the germplasm of seeds that causes those seeds to become resistant to glyphosate, a commonly used herbicide that Monsanto manufactures under the trademark Roundup®. *See id.* Monsanto markets these genetically altered seeds as Roundup Ready®. *Id.* Monsanto's Roundup Ready® seeds, which include soybeans, enable farmers to plant crops and apply a glyphosate-based herbicide, such as Roundup®, killing weeds without damaging the crops. *Id.*

Monsanto protects its glyphosate-resistant seeds by several patents. It asserted two of these patents against Petitioner Vernon Hugh Bowman (“Mr. Bowman”), U.S. Patent No. 5,352,605 (“the '605 patent”) and U.S. Patent No. RE 39,247E (“the '247E patent”). App. 20a-21a. The '605 patent relates to the use of viral nucleic acid from the cauliflower mosaic virus (“CaMV”), which is capable of infecting plant cells, as a vector for incorporating new genetic material into plant cells. App. 3a. This action constitutes a “transformation” of the plant cells. *Id.* The invention of the '605 patent accomplishes the

transformation by isolating the CaMV promoter region from the CaMV genome and then combining the CaMV promoter region with a heterologous protein-encoding DNA sequence, thereby forming a chimeric gene expressed in the plant cell. *Id.*

The '247E patent also involves the transformation of plant cells. App. 4a. It uses, for example, the CaMV promoters of the '605 patent to transform plant cells with novel protein-encoding gene sequences that encode for a glyphosate-tolerant enzyme. *Id.* The genetically modified plants express the glyphosate-tolerant enzyme and therefore exhibit resistance to glyphosate. *Id.*

Monsanto goes to great lengths to restrict farmers' use of its patented biotechnology. It licenses seed producers to genetically alter seeds (including soybean seeds) by incorporating the Roundup Ready® biotechnology into the germplasm of the licensees' seeds, thus manufacturing seeds that are resistant to glyphosate. *See* App. 6a; App. 21a. Farmers then purchase these specially manufactured seeds from Monsanto or its licensed seed producers. App. 21a. Monsanto authorizes sales to farmers that agree to be bound by the terms of its Technology Agreement. *See* App. 6a.

Farmers that sign the Technology Agreement consent to several restrictions. Farmers agree: "(1) 'to use the seed containing Monsanto gene technologies for planting a commercial crop only in a single season'; (2) 'to not supply any of this seed to any other person or entity for planting'; (3) 'to not save any crop produced from this seed for replanting, or supply saved seed to anyone for replanting'; and (4) 'to not use this seed or provide it to anyone for crop

breeding, research, generation of herbicide registration data, or seed production.” App. 7a.

The Technology Agreement does not prohibit farmers from selling the progeny of their purchased seeds to grain elevators, and in fact Monsanto authorizes such sales. *Id.* As the Federal Circuit noted, “[a]lthough the express terms of the Technology Agreement forbid [farmers] to sell the progeny of the licensed Roundup Ready® seeds, or ‘second-generation seeds,’ for *planting*, Monsanto authorizes [farmers] to *sell* second-generation seed to local grain elevators as a commodity, *without requiring [farmers] to place restrictions on grain elevators’ subsequent sales of that seed.*” *Id.* (emphasis added). Grain elevator commodity seeds comprise a mixture of undifferentiated seeds harvested from farms that grow Roundup Ready® seeds and those that do not. *Id.*

Monsanto restricts sales of its first-generation seeds to farmers that sign the Technology Agreement, and therefore agree not to use second-generation seeds for planting, due to the self-replicating nature of its patented biotechnology. “The principle business reason for Monsanto to limit the use of the resultant crop is that the herbicide resistance trait is carried forward into each successive generation of soybeans produced from the genetically altered seeds.” App. 21a.

II. Mr. Bowman’s Use of the Commodity Seeds.

Mr. Bowman farms acreage in Knox County, Indiana. App. 10a; App. 21a. In addition to other crops, Mr. Bowman harvests soybeans. App. 21a. As with many farmers, Mr. Bowman makes double use of his fields, planting “first-

crop” soybeans for his early season harvest and a second, riskier crop of soybeans for his late-season “second-crop.” App. 9a; App. 22a. Since 1999, Mr. Bowman purchased Pioneer Hi-Bred® brand soybean seeds from Pioneer Hi-Bred (“Pioneer”), a Monsanto-licensed seed producer, for use as his first-crop soybeans. App. 8a-9a. In 2002, he signed a “Pioneer Hi-Bred Technology Agreement,” which contains identical language and restrictions to those in the Monsanto Technology Agreement. *Id.* In accordance with that Agreement, Mr. Bowman never saved seeds from his first-crop harvest. App. 23a.

Beginning in 1999, Mr. Bowman purchased commodity seeds from Huey Soil Service, a local grain elevator, to use for his second-crop soybeans. App. 9a. Mr. Bowman purchased commodity seeds “so as not to incur the expense of the considerably more expensive Roundup Ready® seeds from Pioneer or other seed producers.” App. 22a. He also applied a glyphosate-based herbicide to his second-crop soybeans, finding that the crop exhibited resistance to the herbicide. *Id.* Mr. Bowman repeated this activity from 2000 through 2007. App. 9a. “Unlike his first-crop, [he] saved the seed harvested from his second-crop for replanting additional second-crops in later years. He also supplemented his second-crop planting supply with periodic additional purchases of commodity seed from the grain elevator.” *Id.*

Monsanto eventually realized that Mr. Bowman was growing more soybeans than his Pioneer purchases could generate. App. 23a. Monsanto then accused Mr. Bowman of saving seeds, in violation of the Technology Agreement. *Id.* Mr. Bowman candidly explained his use of second-crop commodity soybean seeds, arguing that his actions did not

constitute infringement. *Id.* Mr. Bowman also explained to the district court that the use of commodity soybeans for planting was something farmers have been doing for generations. Monsanto sued Mr. Bowman on October 12, 2007, alleging infringement of the '605 patent and the '247E patent. App. 10a.

III. The District Court's Decisions.

On September 30, 2008, Monsanto filed a motion for summary judgment, seeking a final determination of liability and damages for Mr. Bowman's alleged patent infringement. App. 31a. On June 11, 2009, the court requested further submissions on summary judgment regarding the applicability of the patent exhaustion doctrine in light of this Court's decision in *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008). App. 19a-30a. In the end, however, the district court found itself bound by Federal Circuit precedent. The court explained that, "despite [Mr.] Bowman's compelling policy arguments addressing the monopolizing effect of the introduction of patented genetic modifications to seed producing plants on an entire crop species, he has not overcome the patent law precedent which breaks in favor of Monsanto[.]" App. 37a.

After reviewing the parties' arguments concerning exhaustion, and finding the Federal Circuit's decision in *Monsanto Co. v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002) controlling, the district court granted Monsanto's motion for summary judgment and awarded damages to Monsanto. App. 31a-43a. On May 12, 2010, the court increased the damage award because it had based its initial award on an incorrect reading of Monsanto's reasonable royalty report. *See* App. 46a-51a.

IV. The Federal Circuit's Decision.

After a timely appeal, the Federal Circuit, having jurisdiction to hear Mr. Bowman's case under 28 U.S.C. § 1295(a)(1), affirmed the district court's judgment. App. 2a. It rejected the argument that exhaustion prohibited Monsanto from suing Mr. Bowman for using commodity seeds for planting purposes. App. 14a. The court of appeals held that Mr. Bowman, by using the commodity seeds for a natural and foreseeable purpose (planting), "created a newly infringing article." *See id.* In reaching its decision, the lower court relied heavily on *McFarling* and *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006), two prior Monsanto seed saving cases based in part on the oft maligned, judicially created "conditional sale" exception to patent exhaustion set forth by the Federal Circuit in *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992). App. 14a.

In both *McFarling* and *Scruggs*, the Federal Circuit held that exhaustion did not apply to free second-generation seeds from Monsanto's patent rights. *See* App. 12a-14a. Although *McFarling* petitioned this Court to review an adverse Federal Circuit decision, he did not seek review of the lower court's exhaustion ruling, which was a decision in the context of a preliminary injunction. *See McFarling v. Monsanto Co.*, No. 04-31, 2004 WL 1535852 (2004). Nevertheless, the Solicitor General, in his brief recommending against granting certiorari (where *McFarling* had abandoned the exhaustion defense), explained that the applicability of patent exhaustion in the context of self-replicating technologies raises a novel question that this Court has not yet addressed. *See U.S. Amicus Br.* at 14 n.8, *McFarling v. Monsanto Co.*, 545 U.S. 1139 (2005) (No. 04-31).

Drawing from *McFarling* and *Scruggs*, the Federal Circuit justified its holding in this case on the grounds that Mr. Bowman’s activities constituted impermissible making, rather than valid use, of a patented article. *See* App. 14a. It explained that “[e]ven if Monsanto’s patent rights in the commodity seeds are exhausted, such a conclusion would be of no consequence because once a [farmer], like [Mr.] Bowman, plants the commodity seeds containing Monsanto’s Roundup Ready® technology and the next generation of seed develops, the [farmer] has created a newly infringing article.” *Id.* The court reaffirmed its opinion that the “fact that a patented technology can *replicate itself* does not give the purchaser the right to use replicated copies of the technology.” *Id.* (emphasis added).

The court relied on its decision in *Jazz Photo Corp. v. Int’l Trade Comm’n*, 264 F.3d 1094 (Fed. Cir. 2001), to support the distinction between the right to make versus the right to use a patented article. “The right to use ‘do[es] not include the right to construct an essentially new article on the template of the original, for the right to make the article remains with the patentee.” *Id.* The court concluded by stating that farmers “have the right to use commodity seeds ... for any other conceivable use, [but] they cannot ‘replicate’ Monsanto’s patented technology by planting it in the ground to create newly infringing” articles. *Id.* In other words, farmers can do anything they desire with purchased commodity seeds, except use those seeds for their most natural and foreseeable (if not primary) purpose, planting.

REASONS FOR GRANTING THE PETITION

This case presents an issue both of core practical importance to agriculture and of vital legal interest in patent law—whether the Federal Circuit’s judicially created “conditional sale” exemption that allows patent holders to continue to assert patent rights after an authorized sale is correct. Practically, this issue affects every farmer in the country and the method of planting that farmers such as Mr. Bowman have used for generations. Legally, the Federal Circuit’s opinion is in conflict with the existing law of this Court. In *United States v. Univis Lens Co.*, this Court held that exhaustion results from an authorized sale, notwithstanding post-sale restrictions on end-purchasers. The Federal Circuit has departed from this rule since 1992 with the decision in *Mallinckrodt, Inc. v. Medipart, Inc.* And its decision in this case serves to completely eliminate exhaustion as a viable defense to patent infringement claims in the context self-replicating technologies such as genetically modified seeds. Because this case presents an important legal issue from the Federal Circuit in conflict with this Court’s precedents and of great practical importance to a wide swath of this country’s economy, this Court should grant certiorari and review the decision below.

I. The Federal Circuit’s Decision Conflicts with the Doctrine of Patent Exhaustion as Defined by This Court.

A. This Court’s Cases Establish that Authorized Sales Accompanied by Post-Sale Restrictions on Purchasers Exhaust Patent Rights.

Patent exhaustion has been the law in this Country for more than 150 years. Since at least this Court’s decision in *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), patent exhaustion has applied notwithstanding a patent holder’s attempt to create explicit post-sale restrictions such as the ones Monsanto has tried here. In *Univis* and its predecessor cases, this Court articulated the clear rule that a sale authorized by the patent owner exhausts patent rights in the article sold. *Univis*, 316 U.S. at 250-51; *Motion Picture Patents Co. v. Universal Film Mfg.*, 243 U.S. 502, 516 (1917); *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 670-71 (1895); *Adams v. Burke*, 84 U.S. 453, 455 (1873).

In *Univis*, the patent owner created a licensing scheme comparable to that imposed by Monsanto on its licensed seed producers and their customers. The patent owner attempted, through separate agreements with its licensee’s purchasers, to impose resale price restrictions on those purchasers. *Univis*, 316 U.S. at 243-45. This Court held that the restrictions were not within the scope of the patent grant because the licensee’s sale of products embodying the patent owner’s invention exhausted the owner’s patent rights in those products. *Id.* at 250-51. Accordingly, because exhaustion removed the article from the protection of the patent monopoly, restrictions

on use or resale were not immune from antitrust scrutiny. In *Quanta Computer, Inc. v. LG Elecs., Inc.*, this Court affirmed the continuing vitality of *Univis* specifically and of the exhaustion doctrine in general. See *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 631 (2008) (stating that “*Univis* governs this case”).

Patent exhaustion provides that the authorized first sale of a patented product or an article that “embodies” an invention exhausts patent rights over that article. See, e.g., *Quanta*, 553 U.S. at 623; *Univis*, 316 U.S. at 249; *Motion Picture Patents*, 243 U.S. at 516; *Keeler*, 157 U.S. at 670-71; *Adams*, 84 U.S. at 455. Under the doctrine, a patentee who sells an article embodying the invention (either directly or through an authorized licensee) cannot bring a patent infringement suit against the purchaser for using the article for its reasonable and intended use or for reselling the article to others. See, e.g., *Univis*, 316 U.S. at 250-52.

Patent exhaustion owes its origin to the common-law doctrine against restraints on alienation of chattels, which dates to the 15th century. See *Dr. Miles Med. Co. v. John D. Parke & Sons Co.*, 220 U.S. 373, 383 (1911). Patent exhaustion, as known today, has been the rule in this country since at least 1853. See *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1853).

The doctrine delimits the exclusive rights afforded a patentee under the patent laws. As this Court explained in two of its earliest exhaustion cases, “when the patentee, or a person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use.

The article ... passes without the limit of the monopoly.” *Adams*, 84 U.S. at 456 (citing *McQuewan*, 55 U.S. (14 How.) at 549, and *Mitchell v. Hawley*, 83 U.S. 544 (1873)).

Whether downstream limitations after the first authorized sale are enforceable is “a question of contract, and not ... one under the inherent meaning and effect of the patent laws.” *Keeler*, 157 U.S. at 666; *see also Motion Picture Patents*, 243 U.S. at 509, 513; *McQuewan*, 55 U.S. (14 How.) at 549-50. Accordingly, if the patent owner wishes to control a purchaser’s subsequent use of a patented article, it must do so under contract law. *See, e.g., McQuewan*, 55 U.S. (14 How.) at 549-50 (explaining that patent owners “must seek redress in the courts of the State ... and not in the courts of the United States, nor under the law of Congress granting the patent” after an authorized first sale).

The purchaser of a patented article therefore obtains that article free from the patent monopoly, but subject to any agreed upon contractual restrictions. A purchaser “becomes possessed of an absolute property in such [patented] articles, unrestricted in time or place,” and it would be inconsistent with that property right for the patent owner to control, under the patent, the purchaser’s downstream use or disposition of the product. *Keeler*, 157 U.S. at 666. Indeed, “the purchase of the article from one authorized by the patentee to sell it[] emancipates such article from any further subjection to the patent throughout the entire life of the patent[.]” *Id.*

B. Since 1992, the Federal Circuit Has Departed From This Court’s Exhaustion Case Law.

Since the Federal Circuit’s 1992 decision in *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), it has unduly expanded the scope of patent rights by limiting this Court’s *Univis* decision to the antitrust context. The court decided to restrict the doctrine, finding that exhaustion applied only to an authorized *and unconditional* sale (or where a condition exceeded the scope of the patent grant). *Id.* at 708-09. In *Mallinckrodt*, the patentee manufactured and sold to hospitals a medical device marked with a “single use only” notice. *Id.* at 701. The devices were capable of reuse, and many hospitals sent them to the defendant for reconditioning. *Id.*

The Federal Circuit concluded that the post-sale “single use only” restriction was enforceable by patent law and that the defense of patent exhaustion did not apply. *Id.* at 703-09. In order to reach this conclusion, the Federal Circuit interpreted this Court’s exhaustion cases as merely establishing that “price-fixing and tying restrictions accompanying the sale of patented goods were *per se* illegal.” *Id.* at 704.

Mallinckrodt also conflated post-sale restrictions that are enforceable by contract law (notwithstanding antitrust concerns) with a patentee’s attempt to enforce post-sale restrictions through patent law. The Federal Circuit explained that this Court’s cases, including *Motion Picture Patents*, “did not hold ... that all restrictions accompanying the sale of patented goods were deemed illegal.” *Id.* at 704. This reasoning, however, confuses two distinct concepts—whether a restriction is illegal,

and therefore cannot be enforced even by contract, and whether a post-sale restriction avoids exhaustion.

Exhaustion does not address the legality of a post-sale restriction. Rather, exhaustion is a defense to the application of patent law following an authorized sale—regardless of the presence of legal or illegal contractual limitations on that sale—and an unbroken line of this Court’s cases leading to the Federal Circuit’s decision in *Mallinckrodt* held that patent rights terminate at the point of sale. Exhaustion is triggered “if a person legally acquires a title to” a patented item, *Chaffee v. Boston Belting Co.*, 63 U.S. (22 How.) 217, 223 (1859); when a patented item is “lawfully made and sold,” *Adams*, 84 U.S. (17 Wall.) at 457; *see also Hobbie*, 149 U.S. at 363; where a patented item “passes to the hands of the purchaser,” *McQuewan*, 55 U.S. (14 How.) at 549; or upon “the purchase of the article from one authorized by the patentee to sell it,” *Keeler*, 157 U.S. at 666.

Mallinckrodt, in addition to limiting this Court’s exhaustion jurisprudence, greatly (and unjustifiably) expanded the holding of *General Talking Pictures Corp. v. Western Elec. Co.*, 305 U.S. 124, 127 (1938). *General Talking Pictures* and its related cases, including *United States v. General Elec. Co.*, 272 U.S. 476, 489-90 (1926), *Bement v. National Harrow Co.*, 186 U.S. 70, 91 (1902), and *Mitchell*, 83 U.S. (16 Wall.) at 547-51, stand for the unremarkable proposition that patent owners can force mere licensees, or parties without title to a patented article, to comply with conditions, including field-of-use restrictions, on pain of liability for patent infringement.

Under *General Talking Pictures*, patent owners can sue their licensees for infringement when they violate the scope of their licenses. Owners cannot, however, sue purchasers of patented articles for patent infringement where they breach a post-sale restriction. This Court has long permitted these seemingly dichotomous rules of law, namely, exhaustion and the doctrine permitting limited manufacturing licenses enforceable by patent law. In 1926, this Court observed that:

It is well settled ... that where a patentee makes the patented article and sells it, he can exercise no further control over what the purchaser may wish to do with the article after his purchase. It has passed beyond the scope of the patentee's rights. But the case is a different one ... when we consider what a patentee who grants a license to one to make and vend the patented article may do in limiting the licensee in the exercise of the right to sell.

General Elec. Co., 272 U.S. at 489-90.

Mallinckrodt's questionable holding has not gone undetected. Commentators and scholars have described *Mallinckrodt* as inconsistent with long-standing precedent from this Court and view the decision as an improper expansion of the limited manufacturing license doctrine set forth in *General Talking Pictures*. See, e.g., Thomas G. Hungar, *Observations Regarding the Supreme Court's Decision in Quanta Computer, Inc. v. LG Electronics, Inc.*, 49 IDEA 517, 538-39 (2009); Richard H. Stern, *The Unobserved Demise of the Exhaustion Doctrine in US Patent Law*, 15 EUR. INTEL. PROP. REV. 460 (1993).

At least one district court held that *Quanta* overruled *Mallinckrodt*. See *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 615 F. Supp. 2d 575, 585 (E.D. Ky. 2009) (finding that *Quanta* overruled *Mallinckrodt* “*sub silentio*”).

The Federal Circuit’s attack on this Court’s exhaustion doctrine did not end with *Mallinckrodt*. Following that case, the Federal Circuit decided *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419 (Fed. Cir. 1997). *B. Braun* has been widely cited, together with *Mallinckrodt*, as having established the conditional sale doctrine. This principle stems from the *Mallinckrodt* case and holds that the “exhaustion doctrine ... does not apply to an expressly conditional sale or license.” *Id.* at 1426. Despite this broad proclamation, *B. Braun* was a case about a patent misuse jury instruction; it did not involve the patent exhaustion defense. See *id.*

Mallinckrodt and *B. Braun* do not find support in this Court’s cases. This Court has held that licenses can carry conditions, the breach of which subjects the licensee (and potentially its purchasers) to a suit for patent infringement. See *General Talking Pictures*, 305 U.S. at 127. This Court has also made clear, however, that purchasers of discrete patented articles stand on entirely different ground than mere licensees. See *General Elec. Co.*, 272 U.S. at 489-90. *Mallinckrodt*’s and *B. Braun*’s focus on whether a post-sale restriction “exceeds the scope of the patent grant” in a determination whether the defense of patent exhaustion applies fails under this Court’s cases because, as *Univis* made clear, *no* restriction after an authorized sale is enforceable by patent law. See *Univis*, 316 U.S. at 250-51.

C. The Federal Circuit’s Decision Below Ensures that Exhaustion Cannot Apply to Authorized Sales of Monsanto’s Patented Seeds.

Through the trilogy of *McFarling*, *Scruggs*, and the case currently under review, the Federal Circuit has guaranteed Monsanto an unprecedented level of protection, ensuring that exhaustion can never apply to patented seeds. These cases amount to a judicially created exception for Monsanto to the doctrine of patent exhaustion. Relying on its decisions in *Mallinckrodt* and *B. Braun*, the court of appeals holds that exhaustion does not apply to first-generation seeds sold by Monsanto or its licensed seed producers because those sales are “conditioned” on farmers signing the Technology Agreement. *Scruggs*, 459 F.3d at 1336 (stating that the “doctrine of patent exhaustion is inapplicable in this case ... because the use of the seeds by ... [farmers] was conditioned on obtaining a license from Monsanto”). When a farmer uses first-generation seeds to plant and harvest a second-generation crop, exhaustion also does not apply to the second-generation seeds because they were not sold to the farmer. *McFarling*, 302 F.3d at 1298-99. Finally, under the lower court’s reasoning in this case, exhaustion does not result for all subsequent seed generations because farmers “make” progeny seeds rather than “use” purchased seeds. *Bowman*, 657 F.3d at 1348 (holding that once a farmer, “like [Mr.] Bowman, plants the commodity seeds containing Monsanto’s Roundup Ready® technology and the next generation of seed develops, the [farmer] has created a newly infringing article”).

Accordingly, under the reasoning applied by the Federal Circuit, exhaustion has been eliminated after

any authorized sale, no matter what the context might be. Farmers, like Mr. Bowman, who purchase seeds in unrestricted, authorized sales from grain elevators cannot use those seeds for a foreseeable purpose, planting, without infringing Monsanto's patents. *See id.* at 1345 (explaining that a farmer does not "exceed[] the [Technology Agreement] license by selling to the grain elevator without securing some promise from the grain elevator not to sell the seeds for planting"). Under the lower court's holding, farmers become inevitable infringers when they use commodity seeds for a common and intended purpose. The district court, although reluctantly finding itself bound by *McFarling*, correctly realized the unfairness caused by this situation:

Monsanto's domination of the soybean seed market, combined with the regeneration of the Roundup Ready® trait and the lack of any restriction against the mixing of soybeans harvested from a Roundup Ready® crop from those that are harvested from a crop that was not grown from Roundup Ready® seed, has resulted in the commodity soybeans sold by grain dealers necessarily carrying the patented trait, thereby eliminating commodity soybeans as a low cost (but higher risk) source for planting.

Monsanto Co. v. Bowman, 686 F. Supp. 2d 834, 836-37 (S.D. Ind. 2009).

D. The Federal Circuit’s Decision Below Relies on the Unsupportable Proposition that Farmers “Make” New Seeds by the Natural and Foreseeable Use of Planting.

The court reached the conclusion that Mr. Bowman “created” a newly infringing article by relying in part on the statement in *Jazz Photo* that the right to use does not include the right to construct a newly infringing article. *Bowman*, 657 F.3d at 1348. But *Jazz Photo* offers nothing to support the court’s decision in this case. *Jazz Photo* addressed whether various defendants had engaged in permissible *repair* or impermissible *reconstruction* of refurbished single-use cameras. It did not elaborate on the differences between “to use” and “to construct” or “to make.” In fact, *Jazz Photo* acknowledged that “[t]he purchaser of a patented article has the rights of any owner of personal property, including the right to use it, repair it, modify it, discard it, or resell it[.]” *Jazz Photo*, 264 F.3d at 1102 (emphasis added). The case does not support the conclusion that Mr. Bowman’s activities actually constituted *construction* of a new article, rather than *use* of articles he owned following purchase in a sale authorized by the patent holder.

The terms “make,” “construct,” and “manufacture” do not describe the process by which progeny are created through the use of self-replicating technologies. To be sure, Monsanto-licensed seed producers “make” or “construct” seeds containing Monsanto’s patented traits when they artificially insert patented germplasm into naturally occurring soybean seeds. As the Federal Circuit acknowledged in *McFarling*, “Monsanto authorizes various companies to *manufacture* the patented seeds.”

McFarling, 302 F.3d at 1293 (emphasis added). The activity of these companies in making seeds differs in fundamental ways from the activities of farmers in using them. Seeds *manufactured* by seed producers will *self-replicate* without farmer assistance; even if left untended on a field, they will replicate and produce new generations. The Federal Circuit cannot reconcile defining both activities as “making.” Progeny seeds that result from planting are “begotten,” not “made.”

II. This Case Is an Appropriate Vehicle to Resolve the Specific and Important Question Presented Regarding the Applicability of Patent Exhaustion to Self-Replicating Technologies.

The Solicitor General explained in *McFarling v. Monsanto Co.* that patent exhaustion in the context of self-replicating technologies raises a novel question not yet decided by this Court. *See U.S. Amicus Br.* at 14 n.8, *McFarling v. Monsanto Co.*, 545 U.S. 1139 (2005) (No. 04-31). In his brief recommending against certiorari, the Solicitor General stated that “the novel question whether (and, if so, to what extent) the patent-exhaustion doctrine applies to” limits on use of self-replicating inventions was not ripe for review in the *McFarling* case. *Id.* The Solicitor General advised this Court not to address the issue at that time, in part because it had not been fully litigated in the lower courts. *See id.*

Unlike *McFarling*, the current case presents a perfect vehicle for this Court to address a question of fundamental importance concerning the availability of the exhaustion defense to self-replicating technologies. This case comes to the Court from a final judgment of infringement where

both the district court and court of appeals focused on the availability of exhaustion to such inventions. No disputed facts exist here. The outcome turns on a pure legal question. Further percolation in the Federal Circuit and district courts will not benefit this Court, as the Federal Circuit has made clear that it considers self-replicating technologies to be a subset of inventions immune from patent exhaustion.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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December 20, 2011

APPENDIX

1a

**APPENDIX A — OPINION OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT DECIDED
SEPTEMBER 21, 2011**

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

**MONSANTO COMPANY AND
MONSANTO TECHNOLOGY LLC,**

Plaintiffs-Appellees,

v.

VERNON HUGH BOWMAN,

Defendant-Appellant.

2010-1068

Appeal from the United States District Court for the Southern District of Indiana in case no. 07-CV-0283, Judge Richard L. Young.

Decided: September 21, 2011

PAUL R. Q. WOLFSON, Wilmer Cutler Pickering Hale and Dorr LLP, of Washington, DC, for plaintiffs-appellees. With him on the brief were SETH P. WAXMAN and GREGORY H. LANTIER; and DAVID B. JINKINS, Thompson Coburn LLP, of St. Louis, Missouri. Of counsel were DANIEL C. COX and JEFFREY A. MASSON, Thompson Coburn, LLP, of St. Louis, Missouri.

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MARK P. WALTERS, Frommer Lawrence & Haug LLP, of Seattle, Washington, for defendant-appellant. With him on the brief were DARIO A. MACHLEIDT; and EDGAR H. HAUG, of New York, New York.

TIMOTHY C. MEECE, Banner & Witcoff, Ltd., Chicago, Illinois, for amicus curiae Lexmark International, Inc.

Before BRYSON, LINN, and DYK, *Circuit Judges*.
LINN, *Circuit Judge*.

This case presents the court with another question of patent infringement by farmers planting the progeny of genetically altered seeds covered by U.S. patents. Here, Plaintiffs-Appellees, Monsanto Company and Monsanto Technology LLC (collectively “Monsanto”), sued Defendant-Appellant, Vernon Hugh Bowman (“Bowman”), in the United States District Court for the Southern District of Indiana alleging infringement of U.S. Patent Nos. 5,352,605 (“605 Patent”) and RE39,247E (“247E Patent”). *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834 (S.D. Ind. 2009). The district court granted summary judgment of infringement in favor of Monsanto. *Id.* at 840. Bowman appeals. For the reasons discussed below, this court affirms.

I. BACKGROUND

Monsanto invented and developed technology for genetically modified “Roundup Ready[®]” soybeans that exhibit resistance to N-phosphonomethylglycine-

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(commonly known as “glyphosate”) based herbicides, such as Monsanto’s Roundup[®] product. The ’605 and ’247E Patents cover different aspects of this Roundup Ready[®] technology.

A. The ’605 Patent

On October 4, 1994, the United States Patent and Trademark Office (“PTO”) issued the ’605 Patent to Monsanto for “chimeric genes for transforming plant cells using viral promoters.” The invention of the ’605 Patent relates to the use of viral nucleic acid from the cauliflower mosaic virus (“CaMV”), a virus capable of infecting plant cells, as a vector for incorporating new genetic material into plant cells (a “transformation” of the plant cells). To accomplish this transformation, the CaMV promoter region is isolated from the CaMV genome and combined with a heterologous protein-encoding DNA sequence, forming a chimeric gene to be expressed in the plant cell. Monsanto alleges infringement of claims 1, 2, 4, and 5 of the ’605 Patent. Representative claims 1 and 4 cover:

1. A *chimeric gene* which is expressed in plant cells comprising a promoter from a cauliflower mosaic virus, said promoter selected from the group consisting of a CaMV (35S) promoter isolated from CaMV protein-encoding DNA sequences and a CaMV (19S) promoter isolated from CaMV protein-encoding DNA sequences, and a structural sequence which is heterologous with respect to the promoter.

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4. A *plant cell* which comprises a chimeric gene that contains a promoter from cauliflower mosaic virus

'605 Patent, col.15 ll.52-59, 64-65 (emphases added).

B. The '247E Patent

On August 22, 2006, the PTO reissued U.S. Patent No. 5,633,435 (“435 Patent”) as the '247E Patent for “glyphosate-tolerant 5-enolpyruvylshikimate-3-phosphate synthases [(“EPSPS”).” The invention of the '247E Patent involves the transformation of plant cells—using, for example, the CaMV promoters disclosed in the '605 Patent—to transform plant cells with novel protein- encoding gene sequences that encode for EPSPS, a glyphosate-tolerant enzyme. These genetically modified plants express EPSPS and exhibit glyphosate resistance. '247E Patent, col.1 ll.15-46. The advantage of this technology, which can be incorporated into a variety of crops, is that farmers can treat their fields with glyphosate-based herbicide to control weed growth without damaging their crops. Monsanto alleges infringement of seventeen claims of the '247E Patent. Representative claims 103, 116, 122, 128, 129, and 130 cover:

103. A *recombinant, double-stranded DNA molecule* comprising in sequence:

(a) a promoter which functions in plant cells to cause the production of an RNA sequence;

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(b) a structural DNA sequence that causes the production of an RNA sequence which encodes an EPSPS enzyme having the sequence of SEQ ID NO:70; and

(c) a 3' non-translated region that functions in plant cells to cause the addition of a stretch of polyadenyl nucleotides to the 3' end of the RNA sequence;

where the promoter is heterologous with respect to the structural DNA sequence and adapted to cause sufficient expression of the encoded EPSPS enzyme to enhance the glyphosate tolerance of a plant cell transformed with the DNA molecule.

116. A glyphosate-tolerant *plant cell* comprising a DNA sequence encoding an EPSPS enzyme having the sequence of SEQ ID NO: 70.

122. A *seed of the plant* of claim 116, wherein the seed comprises the DNA sequence encoding an EPSPS enzyme having the sequence of SEQ ID NO: 70.

128. A glyphosate[-]tolerant *plant cell* comprising the recombinant DNA molecule of claim 103.

129. A *plant* comprising the glyphosate[-] tolerant plant cell of claim 128.

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130. *A method for selectively controlling weeds in a field containing a crop having planted crop seeds or plants comprising the steps of:*

(a) planting the crop seeds or plants which are glyphosate-tolerant as a result of a recombinant double-stranded DNA molecule being inserted into the crop seed or plant . . .

(b) applying to the crop and weeds in the field a sufficient amount of glyphosate herbicide to control the weeds without significantly affecting the crop.

'247E Patent, col.164 ll.15-29; col.165 ll.18-20, 30-32, 45-55; col.166 ll.3-5 (emphases added to reflect breadth of coverage).

C. Monsanto's Technology Agreement

Since 1996, Monsanto has marketed and sold Roundup Ready® soybean seeds under its own brands, and licenses its technology to seed producers who insert the Roundup Ready® genetic trait into their own seed varieties. Monsanto's licensed producers sell Roundup Ready® seeds to growers for planting. All sales to growers, whether from Monsanto or its licensed producers, are subject to a standard form limited use license, called the "Monsanto Technology Agreement" or "Monsanto Technology/Stewardship Agreement" (both referred to herein-after as the "Technology Agreement"). J.A. 284-315. Monsanto's Technology Agreement covers a variety of its patented

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agricultural biotechnologies, including Roundup Ready[®] soybeans. Both the '605 Patent and the '435 Patent (reissued as the '247E Patent) are listed as “applicable patents” licensed under the Technology Agreement.

Under the Technology Agreement, the licensed grower agrees: (1) “to use the seed containing Monsanto gene technologies for planting a commercial crop only in a single season”; (2) “to not supply any of this seed to any other person or entity for planting”; (3) “to not save any crop produced from this seed for replanting, or supply saved seed to anyone for replanting”; and (4) “to not use this seed or provide it to anyone for crop breeding, research, generation of herbicide registration data, or seed production.” Monsanto’s Standard Form Technology Agreements, 1998-2007, J.A. 284-315. Monsanto restricts the grower’s use of the licensed Roundup Ready[®] seed to a single commercial crop season because the patented Roundup Ready[®] genetic trait carries forward into each successive seed generation.

Although the express terms of the Technology Agreement forbid growers to sell the progeny of the licensed Roundup Ready[®] seeds, or “second-generation seeds,” for planting, Monsanto authorizes growers to sell second-generation seed to local grain elevators as a commodity, without requiring growers to place restrictions on grain elevators’ subsequent sales of that seed. Commodity seeds are a mixture of undifferentiated seeds harvested from various sources, including from farms that grow Roundup Ready[®] soybeans and those that do not, although nearly ninety-four percent of

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Indiana's acres of soybeans planted in 2007 were planted using herbicide resistant varieties. Damages Report at 2, *Monsanto v. Bowman*, No. 07-cv-0283 (S.D. Ind. Sept. 30, 2008), ECF No. 62-7. Before this court, Monsanto has twice eschewed any reading of the Technology Agreement to prohibit unrestricted seed sales to grain elevators as a commodity. First, Monsanto stated in its appeal brief that "[a] licensed grower who has harvested a soybean crop from Roundup Ready® seeds obtained in an authorized manner *may sell that crop* to be used as feed *or otherwise as a commodity*." Appellee Br. 7 (emphases added). Again, at oral argument, when asked by the panel whether a grower "exceed[s] the license by selling to the grain elevator without securing some promise from the grain elevator not to sell the seeds for planting," Monsanto's attorney responded: "No, I don't think the grower is exceeding his authority there . . . that is a channel of commerce that Monsanto has authorized." Oral Arg. at 19:34-20:14, *available at* <http://www.cafc.uscourts.gov/oral-argument-recordings/all/bowman.html>. Based on Monsanto's statements, the only permissible reading of the Technology Agreement for purposes of this appeal is that it authorizes growers to sell seed to grain elevators as a commodity.

D. Bowman's Activities

Pioneer Hi-Bred ("Pioneer") is one of Monsanto's licensed seed producers. In 2002, Pioneer sold Pioneer Hi-Bred® brand seeds containing the Roundup Ready® technology to Bowman, a grower in Knox County, Indiana. In making the sale, Pioneer required Bowman

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to execute the “Pioneer Hi-Bred Technology Agreement,” which contains language and restrictions identical to the Technology Agreements discussed above. *See* J.A. 673. Bowman purchased from Pioneer and planted seeds containing the Roundup Ready® technology each year, beginning as early as 1999. Bowman planted Roundup Ready® seeds as his first-crop in each growing season during the years 1999 through 2007. Consistent with the terms of the Technology Agreement, Bowman did not save seed from his first-crop during any of those years.

In 1999, Bowman also purchased commodity seed from a local grain elevator, Huey Soil Service, for a late-season planting, or “second-crop.” Because Bowman considered the second-crop to be a riskier planting, he purchased the commodity seed to avoid paying the significantly higher price for Pioneer’s Roundup Ready® seed. That same year, Bowman applied glyphosate-based herbicide to the fields in which he had planted the commodity seeds to control weeds and to determine whether the plants would exhibit glyphosate resistance. He confirmed that many of the plants were, indeed, resistant. In each subsequent year, from 2000 through 2007, Bowman treated his second-crop with glyphosate-based herbicide. Unlike his first-crop, Bowman saved the seed harvested from his second-crop for replanting additional second-crops in later years. He also supplemented his second-crop planting supply with periodic additional purchases of commodity seed from the grain elevator. Bowman did not attempt to hide his activities, and he candidly explained his practices with respect to his second-crop soybeans in various correspondence with Monsanto’s representatives.

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In winter 2006, Monsanto contacted Bowman, seeking to investigate his planting activities. On October 12, 2007, Monsanto sued Bowman in the Southern District of Indiana alleging infringement of the '605 and '247E Patents. On November 2, 2007, Monsanto investigated eight of Bowman's fields, totaling 299.1 acres, and confirmed that Bowman's second-crop soybean seeds (the progeny of the commodity seeds) contained the patented Roundup Ready® technology. The Technology Agreement signed by Bowman extended only to seeds purchased from Monsanto or a licensed dealer; thus, Bowman's use of the commodity seeds was not within the scope of the agreement. Monsanto did not allege infringement or breach of the Technology Agreement with respect to Bowman's planting of first-generation seeds purchased from Pioneer.

On September 30, 2009, the district court granted summary judgment of infringement and entered judgment for Monsanto in the amount of \$84,456.20. Am. Final J. and Order Granting Pls.' Rule 59 Mot., *Bowman*, No. 07-cv-0283 (May 12, 2010), ECF Nos. 130, 131. Bowman appeals, and this court has jurisdiction under 35 U.S.C. § 1295(a)(1).

II. DISCUSSION

A. Standard of Review

This court reviews a district court's order granting a motion for summary judgment *de novo*. See, e.g., *Leviton Mfg. Co. v. Universal Sec. Instruments, Inc.*, 606 F.3d 1352, 1358 (Fed. Cir. 2010).

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B. Patent Exhaustion

Bowman argues that Monsanto’s patent rights are exhausted with respect to all Roundup Ready[®] soybean seeds that are present in grain elevators as undifferentiated commodity. According to Bowman, the “[s]ales of second-generation seeds by growers to grain elevators, and then from grain elevators to purchasers (like Bowman) are authorized according to the terms of Monsanto’s [T]echnology [A]greement[], and are thus exhausting sales. . . under the Supreme Court’s analysis in *Quanta [Computer, Inc. v. LG Electronics, Inc., 553 U.S. 617 (2008)]*.” Appellant Br. 23.

Bowman further argues that if the right to use patented seeds does not include the unlimited right to grow subsequent generations free of liability for patent infringement, then any exhaustion determination “is useless.” Appellant Br. 31. Bowman urges the court to hold, under *Quanta*, that each seed sold is a “substantial embodiment” of all later generations, thus adopting a “robust” exhaustion doctrine that encompasses the progeny of seeds and other self-replicating biotechnologies. According to Bowman, “[t]he Supreme Court disapproved undermining the exhaustion doctrine by categorically eliminating its application [to] method patents [and t] his [c]ourt should not condone effectively eliminating the doctrine for self-replicating products.” Appellant Br. 31.

Monsanto counters that licensed growers’ sales of second-generation seeds to grain elevators as commodity seeds did not exhaust Monsanto’s patent rights in

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those seeds “[b]ecause of the express condition [in the Technology Agreement] that the progeny of licensed seed never be sold for planting.” Appellee Br. 32. According to Monsanto, “a grower’s sale of harvested soybeans to a grain elevator is not an ‘authorized sale’ when it results in those soybeans subsequently being planted.” *Id.*

Monsanto argues that, even if there was exhaustion with respect to commodity seeds, Bowman is nevertheless liable for infringement by planting those seeds because patent protection “is independently applicable to *each* generation of soybeans (or other crops) that contains the patented trait.” *Id.* 15-16. See *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006); *Monsanto Co. v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002). Monsanto contends that “under Bowman’s analysis, patent protection for self-replicating inventions would be eviscerated.” Appellee Br. 20. Monsanto further cites *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), a Plant Variety Protection Act (“PVPA”) case, for the proposition that patent exhaustion in seeds, if applicable, must be limited to the seeds sold. In *J.E.M.*, in explaining the differences between seed variety protection under the PVPA and utility patents, the Court stated: “Most notably, there are *no exemptions for research or saving seed under a utility patent.*” *Id.* at 143 (emphases added).

In *McFarling* and *Scruggs*, the court dealt with unauthorized planting of second-generation seeds. In *McFarling*, one of Monsanto’s licensed growers, McFarling, violated the terms of his Technology Agreement by saving 1500 bushels of Roundup Ready® soybeans from his

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harvest during one growing season, and replanting those seeds in the next season. 302 F.3d at 1293. McFarling repeated this activity, without paying any license fee in either year for the saved seed, which retained Monsanto's Roundup Ready® technology. *Id.* McFarling defended against Monsanto's patent infringement allegation on the ground that, *inter alia*, the conditions in the Technology Agreement "violate[d] the doctrine of patent exhaustion and first sale." *Id.* at 1298. This court held, based on *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), that the conditions in Monsanto's Technology Agreement were valid and legal and did not implicate the doctrine of patent exhaustion. *McFarling*, 302 F.3d at 1298-99. In any event, the court stated, "[t]he 'first sale' doctrine of patent exhaustion . . . [wa]s not implicated, as the new seeds grown from the original batch had never been sold. The price paid by the purchaser 'reflects only the value of the 'use' rights conferred by the patentee.'" *Id.* at 1299 (citing *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426 (Fed. Cir. 1997)).

In *Scruggs*, Scruggs purchased Roundup Ready® soybean seeds from one of Monsanto's authorized seed companies and never executed the Technology Agreement. 459 F.3d at 1333. Scruggs planted the purchased seeds, harvested them, and replanted the second-generation seeds containing the Roundup Ready® trait. *Id.* Scruggs asserted the doctrine of patent exhaustion as one of many defenses, and the court held that it was inapplicable: "There was no unrestricted sale because the use of the seeds by seed growers was conditioned upon obtaining a license from Monsanto." *Id.* at 1334.

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Thus, the doctrine of patent exhaustion did not bar the infringement claims in *McFarling* or *Scruggs*. Similarly, here, patent exhaustion does not bar an infringement action. Even if Monsanto's patent rights in the commodity seeds are exhausted, such a conclusion would be of no consequence because once a grower, like Bowman, plants the commodity seeds containing Monsanto's Roundup Ready® technology and the next generation of seed develops, the grower has created a newly infringing article. *See, e.g.*, '247E Patent, col.164 ll.15-29. "The fact that a patented technology can replicate itself does not give a purchaser the right to use replicated copies of the technology. Applying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder." *Scruggs*, 459 F.3d at 1336. The right to use "do[es] not include the right to construct an essentially new article on the template of the original, for the right to make the article remains with the patentee." *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1102 (Fed. Cir. 2001). The court disagrees with Bowman that a seed "substantially embodies" all later generation seeds, at least with respect to the commodity seeds, because nothing in the record indicates that the "only reasonable and intended use" of commodity seeds is for replanting them to create new seeds. *See Quanta*, 553 U.S. at 631. Indeed, there are various uses for commodity seeds, including use as feed. While farmers, like Bowman, may have the right to use commodity seeds as feed, or for any other conceivable use, they cannot "replicate" Monsanto's patented technology by planting it in the ground to create newly infringing genetic material, seeds, and plants. *See, e.g.*, '247E Patent, col.164 ll.15-29; col. 165 ll.18-20, 30-32, 45-48.

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C. Notice Under 35 U.S.C. § 287(a)

1. Waiver

Bowman argues that Monsanto cannot recover pre-Complaint damages because it did not provide actual notice and did not mark or require growers to mark second-generation seeds in compliance with 35 U.S.C. § 287(a). Section 287(a) provides that a patent owner may recover damages for patent infringement only after providing actual notice to the accused infringer or constructive notice through marking the patented article or its package with the applicable patent number(s). 35 U.S.C. § 287(a); *Dunlap v. Schofield*, 152 U.S. 244, 247-48 (1894). Bowman argues that, although he did not expressly cite § 287(a) at the district court, Monsanto's failure to provide notice formed one of his primary arguments on summary judgment, and that he should be entitled to leniency as a *pro se* litigant.

Monsanto counters that Bowman waived this argument by failing to raise it at the district court. Monsanto argues that even if not waived, Monsanto complied with § 287(a) because Monsanto gave Bowman actual notice of infringement in a 1999 letter and again in the Technology Agreement, and alternatively put Bowman on constructive notice by marking and requiring all seed partners to mark first-generation seeds containing Monsanto's patented technology.

This court holds that Bowman did not waive his lack of notice argument under § 287(a) because he argued

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before the district court that Monsanto failed to put any growers or grain elevators on notice of its patent rights with respect to commodity grain. For example, Bowman argued that “Monsanto did not take the necessary steps to keep their patented grain from being mixed with non-patented grain at the grain elevators.” Def.’s Resp. to Pls.’ Mot. Summ. J. at 2, *Bowman*, No. 07-cv-0283 (Nov. 18, 2008), ECF No. 73. He contended that “if Monsanto is going to complain about farmers using the age old practice of buying commodity grain for seed; they could have . . . had their Technology Agreements require farmers to sell their patented grain to pre-approved grain dealers who would keep Monsanto’s patented traits separate . . .” *Id.* at 3. While Bowman did not cite § 287(a) as the legal basis for this “lack of notice” contention, this court holds that, as a *pro se* litigant, he alleged facts and proffered argument sufficient to preserve the issue for appeal.

2. Actual Notice

Monsanto sent Bowman a letter on June 11, 1999, specifically notifying Bowman of its patents covering Roundup Ready® soybeans and informing Bowman that the “[p]lanting of seed that is covered by a patent would be making the patented invention and using the patented invention.” Supp. Auth. of May 25, 2011. This letter was in the district court record attached to Bowman’s memorandum in opposition to Monsanto’s motion for summary judgment. *See Bowman*, No. 07-cv-0283 (Nov. 18, 2008), ECF No. 73-2. The letter (1) identified the allegedly infringing product (Roundup Ready® soybeans), (2) enclosed a Technology Agreement identifying the

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patents covering the Roundup Ready[®] soybeans, (3) explained that Bowman would infringe the identified patents by planting any unlicensed Roundup Ready[®] seeds, and (4) informed Bowman that he could not pay a fee to save Roundup Ready[®] seeds, but may license seeds only through the purchase of new seeds subject to the Technology Agreement. *Id.* This letter is an “affirmative communication to the alleged infringer of a specific charge of infringement by a specific accused product or device,” *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1345 (Fed. Cir. 2001) (internal citation omitted), and it is “sufficiently specific to support an objective understanding that the recipient may be an infringer,” *Funai Electric Co. v. Daewoo Electronics Corp.*, 616 F.3d 1357, 1373 (Fed. Cir. 2010).

The fact that this letter does not specifically mention commodity seeds is of no import because the specific accused products are not commodity seeds as a class, but rather Monsanto’s Roundup Ready[®] seeds. Bowman planted Roundup Ready[®] seeds with actual notice that Monsanto considered this activity to infringe its patents. Because Bowman received actual notice under § 287(a) as of June 11, 1999, the court need not reach the issue of constructive notice through marking. Accordingly, Monsanto may recover damages under § 287.

III. CONCLUSION

For the foregoing reasons, this court affirms the district court’s holding that patent exhaustion does not apply to Bowman’s accused second-crop plantings.

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AFFIRMED

COSTS

Each party shall bear its own costs.

**APPENDIX B — ORDER OF THE UNITED
STATES DISTRICT COURT, SOUTHERN
DISTRICT OF INDIANA, TERRE HAUTE
DIVISION, FILED JUNE 11, 2009**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
TERRE HAUTE DIVISION

2:07-cv-283-RLY-WGH

MONSANTO COMPANY,

Plaintiff,

vs.

VERNON HUGH BOWMAN,

Defendant.

**ORDER REQUESTING FURTHER SUBMISSIONS
ON SUMMARY JUDGMENT**

This is a patent infringement case which is before the court on Plaintiff Monsanto Company's ("Monsanto") Motion for Summary Judgment. Defendant, Vernon Hugh Bowman, is a farmer who is defending the lawsuit without the benefit of an attorney. Patent law is a complicated area of the law and its application to agronomics often requires a significant level of technical sophistication. Nevertheless, there are not many disputed facts at issue here and Bowman has seized upon a recent Supreme Court decision and its potential application to the circumstances

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of this case as a basis for denying summary judgment. Bowman's argument is not a frivolous one and has peaked the court's interest to the point that it will require additional argument and a supplemented record before it feels confident that it can reach a decision with respect to the pending summary judgment motion.

Factual Background

Monsanto invented and developed new crop biotechnology which allows the transfer of a gene into crop seed, such as soybeans, resulting in the treated seeds possessing a beneficial trait of resistance to certain herbicides. In this instance, the specific patented biotechnology at issue is Monsanto's "Roundup Ready®" genetic trait which allows a plant to express tolerance to glyphosate-based herbicides, including the Roundup herbicide which was also developed and patented by Monsanto. In simplistic terms, these technologies allow a farmer, who purchases Roundup Ready® soybean seeds, to plant his soybean crop and then treat his crop fields with Roundup herbicide, or, hypothetically, any other glyphosate-based herbicide, to control weed growth without fear that the herbicide will damage or kill the soybean crop. There appears to be no question that this biotechnology allows for a more bountiful harvest than could otherwise be expected.

The biotechnology that comprises the Roundup Ready® trait is protected by a number of U.S. patents, including two patents which Monsanto seeks to enforce in this matter, U.S. Patent No. 5,352,605 (the "605

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patent”) and U.S. Patent No. RE 39,247E (the “247 patent”). Monsanto licenses the use of its Roundup Ready® biotechnology to seed sellers who incorporate it into their particular germplasm’s to produce a seed that is resistant to glyphosate-based herbicides, leaving the seed “Roundup Ready®.” Those seeds are then purchased by farmers, each of whom must enter into a licensing agreement (sometimes referred to as a technology agreement) which limits the use of the seeds to a single season, commercial crop and forbids the saving or transfer of any of the purchased seeds or the saving of the resultant crop for purposes of replanting. The principle business reason for Monsanto to limit the use of the resultant crop is that the herbicide resistance trait is carried forward into each successive generation of soybeans produced from the genetically altered seeds. Purchase of these Roundup Ready® seeds would likely be curtailed significantly, if not made a one time occurrence, were a farmer able to save some of his crop to replant during the next growing season.

Bowman farms acreage in Knox County, Indiana, growing corn, wheat and soybeans. For the past several years, when he plants the first soybean crop of the season, Bowman purchases Pioneer brand seeds which contain the Roundup Ready® trait. Pioneer is a seed producer which has licensed the Roundup Ready® biotechnology from Monsanto. When it sells the seed to farmers, Pioneer requires the farmer to execute a limited license or “technology agreement” of the nature previously described, prohibiting the saving of the seed or its progeny crop. Bowman executed such an agreement in 2002, which states that the grower recognizes that the seeds contain

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certain patented and protected matter which Pioneer owns or has licensed. The agreement states that it remains in effect perpetually until cancelled or replaced by another agreement. The 2002 Pioneer technology agreement is the only signed agreement of record in this case.

Bowman asserts that he has always complied with the restriction on saving any of the Roundup Ready® seed or its progeny with respect to his first crop of the season. After harvesting the first crop of beans for the season he takes the crop to a grain elevator where it is mixed in with the soybean crops of other farmers. However, until this lawsuit was filed, when Bowman would plant a second soybean crop for the year, a more risky proposition, since this second crop would be planted late in a limited growing season, he would buy what he refers to as “commodity beans” from a grain elevator, so as not to incur the expense of the considerably more expensive Roundup Ready® seeds from Pioneer or other seed producers. As the court understands, these commodity beans are simply a mixture of soybeans from a previous year’s harvest which might include any number of sources, including farms which grew crops from Roundup Ready® seeds and those which did not.

Because of the popularity of the Roundup Ready® seeds with farmers in the area, Bowman anticipated that a large percentage of the commodity beans he bought might contain the Roundup Ready® trait. Accordingly, he treated his second soybean crop with a glyphosate-based herbicide. As it turns out, testing has shown Bowman was correct in anticipating that the vast majority of commodity beans he planted would be resistant to the herbicide as a

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result of their containing the Roundup Ready® trait. Each year, beginning in 1999¹, Bowman would save seeds from his second crop to use with additional commodity beans for planting as the second crop the following year. He has always bought Roundup Ready seeds from Pioneer for his first crop and has never saved seed from that crop.²

When Monsanto discovered that Bowman was growing more soybeans which contained the Roundup Ready® trait than the quantity of his Roundup Ready® seed purchases could generate, it became suspicious of his activities. Monsanto contacted Bowman and accused him of saving seed. Bowman did not attempt to hide his planting activities and through numerous correspondence with various Monsanto representatives and attorneys, he explained what he was doing with regard to his second crop of soybeans and indicated his belief that this was not a violation of any of Monsanto's patent rights. Monsanto disagreed and eventually filed this lawsuit.

Often the first step in patent litigation, the claim construction stage, will be hotly contested. That is to say, a defendant may quarrel with the scope or metes and bounds of the patented invention. However, that is not the situation

1. Bowman claims to have used "commodity beans" prior to 1999 when planting a risky crop, but 1999 is the year he began saving seeds from a second soybean crop which he knew had retained the Roundup Ready® trait.

2. During one year, Bowman did purchase a small amount of Roundup Ready® seed from another farmer at the market price, and asserts that this is a common practice between farmers when one has leftover seed which cannot be returned.

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in this lawsuit. Bowman did initially pursue a two prong defense which included a contention that Monsanto's '605 patent was rejected or in the process of being reexamined by the patent office; however, in responding to Monsanto's summary judgment motion, Bowman has abandoned that unfounded defense. Bowman's defense is not based on the scope of Monsanto's patent claims; rather, he argues that Monsanto's failure to restrict the sale of first generation progeny soybeans legitimately grown by farmers under license from Monsanto, or other seed producers authorized to sell the Roundup Ready® seeds, has caused Monsanto's patents to be exhausted with respect to any subsequent use of those soybeans.

Monsanto has cited a number of recorded cases to the court in support of its contention that its patents have not been exhausted and that those patents apply to all soybeans containing the Roundup Ready® trait regardless of origin. Though none of the recorded cases cited by Monsanto stem from circumstances exactly like those involved in this case, the majority deal specifically with the patents at issue, are persuasive and, without consideration of the recent decision from the Supreme Court in *Quanta Computer, Inc. v. LG Electronics, Inc.*, __ U.S. __, 128 S.Ct. 2109 (2008), would provide support for a decision in Monsanto's favor. However, Bowman has posited an interesting argument based on *Quanta* and raised some deeper questions regarding Monsanto's ability to control the use of progeny Roundup Ready® soybeans after they have been harvested and sold.

Quanta is a case that dealt with method patents and

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the application of the doctrine of patent exhaustion, which limits the patent rights which survive the initial sale of a patented item. *Id.* Its holding with respect to method patents being subject to the doctrine of patent exhaustion may not have direct application to the situation at hand, but the Supreme Court's discussion and reaffirmation of its analysis in a much earlier patent exhaustion case, *U.S. v. Univis Lens Co.*, 316 U.S. 241 (1942), begs the question of whether the doctrine might apply in a situation such as presents itself in this case. "The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item." *Quanta*, 128 S. Ct. at 2115. Conditional sales or limited licenses may allow patent protection to survive, but an unconditional sale takes the article sold outside the protected monopoly which patent law provides to registered patentees. *Id.* at 16.

In *Univis*, the patents at issue were for eyeglass lens which were made up of fused segments utilized to create bi- and tri-focal lenses. *Univis*, 316 U.S. at 244. Univis would license wholesalers and retailers to finish, mount and sell the lenses to consumers as prescription eyeglasses at prices dictated by Univis. *Id.* The United States sued Univis alleging unlawful restraint on trade and Univis defended based upon the authorized monopoly provided by their patents. *Id.* at 248-49. The Supreme Court held that when the Univis Lens Company or its licensee sold an unfinished lens blank to a finisher it relinquished its patent rights under the doctrine of patent exhaustion. *Id.* at 248-49. The Supreme Court concluded:

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We think that all the considerations which support these results lead to the conclusion that where one has sold an uncompleted article which, because it embodies essential features of his patented invention, is within the protection of his patent, and has destined the article to be finished by the purchaser in conformity to the patent, he has sold his invention so far as it is or may be embodied in that particular article. The reward he has demanded and received is for the article and the invention which it embodies and which his vendee is to practice upon it. He has thus parted with his right to assert the patent monopoly with respect to it and is no longer free to control the price at which it may be sold either in its unfinished or finished form. No one would doubt that if the patentee's licensee had sold the blanks to a wholesaler or finishing retailer, without more, the purchaser would not infringe by grinding and selling them.

Id. at 250-51.

In *Quanta*, the Supreme Court relied heavily on its analysis in *Univis* to support its conclusion that the authorized sale of a patented article which, practically speaking, is capable of use only in practicing the patent, is a relinquishment of the authorized patent monopoly. *Quanta*, 128 S. Ct. at 2119. The court understands Bowman's argument to be that, Monsanto's claims are similar to those of Univis Lens Company in *Univis* or LG Electronics in *Quanta* because Monsanto has placed no

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pertinent restriction on the sale of the soybeans harvested from crops grown from first generation seed sold by licensed seed producers, yet it claims some continued patent rights in those second generation beans/seeds. In its reply brief, Monsanto argues that the unrestricted sale must be by the patent holder and it has not engaged in an unrestricted sale of its Roundup Ready® seeds. Further it contends that the case of *Monsanto v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006) stands for the proposition that the protections of its '605 patent are not exhausted as applied to second generation seeds. However, the language of both *Univis* and *Quanta* seems to clearly state that the sale must only be “authorized,” and a licensee can be authorized to make a sale. Further, the circumstances in *Scruggs* are not identical to the situation here and that case was decided before the Supreme Court decided *Quanta* by dusting off its analysis in *Univis*.

That is not to say that this court is convinced that these two Supreme Court decisions require a denial of the summary judgment motion filed by Monsanto. It is not convinced, and it finds both the record and the level of attention paid by the parties in their briefs to analyzing exactly how the doctrine of patent exhaustion and the Supreme Court analysis in *Quanta* and *Invis* should apply to these specific facts insufficient at this point.³ More

3. Monsanto has submitted as additional authority a recent judgment issued by the United States District Court for the District of South Carolina. The case involves Monsanto's Roundup Ready® soybeans and a farmer who used “saved seed” which came in “brown bags.” The South Carolina court found in favor of Monsanto, and while this court assumes that Monsanto

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specifically, the record is incomplete insofar as it lacks copies of pertinent agreements. There is no copy of any signed agreement between Monsanto and Bowman, and Bowman claims none exists. Nor is there a copy of the agreement between Monsanto and Pioneer. Monsanto has simply copied its unsigned form technology agreements for growers for each pertinent year and attached them

is comparing the “brown bag” soybean seed to the “commodity seed” which Bowman used to plant his second crop, without more knowledge and context it cannot be certain of how Monsanto wants the court to interpret that South Carolina decision.

This court has not been favored with any innate understanding of all common terms and practices used in farming, and at times it seems that the litigants assume the court has the wealth of relevant agricultural knowledge and experience that they possess. In this case there are a number of questions the court has which remain unanswered, such as:

Is “commodity seed” the same as “brown bag seed?”
How common is the practice of planting commodity seed?
Does Monsanto maintain that anyone who plants “commodity seed” which contains beans/seeds with the Roundup Ready® trait violates its patents and, if so, from a practical standpoint, doesn’t that eliminate commodity seed planting as an option for farmers?
If Monsanto can legally restrict “seed saving,” which the case law certainly suggests it can, does Bowman contend that the sale of harvested beans eliminates those beans from being considered as “saved?” If so, does he contend that he could simply take his Roundup Ready® crop to a grain elevator, sell it, and then buy some of it right back that same day without violating the Monsanto patents?

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to its motion. The value of these unsigned agreements is unclear to the court. Further, while Monsanto may rely on the growers technology agreement between Pioneer and Bowman for purposes of establishing that Bowman should have known that the Roundup Ready® trait was protected by patent, the *Quanta* decision tells us that the license agreement between Monsanto and Pioneer may be an important agreement, depending on the restrictions placed upon Pioneer as an authorized seed producer and seller. *See Quanta*, 128 S. Ct. at 2121-22. Indeed, the conditions Monsanto placed on Pioneer with respect to seed production, sale and restriction of the progeny's use would be relevant to both the first sale exhaustion issue and the scope and validity of any restrictions Pioneer placed on growers who purchase its Roundup Ready® seeds.

At this point, the court will hold its ruling on the pending summary judgment motion (Docket # 62) in abeyance until such time as each side has had an opportunity to supplement the record and their argument with respect to the applicability of the doctrine of patent exhaustion to the specific facts of this case. As with any other pro se litigant, Defendant Bowman is encouraged to seek legal counsel if at all possible to assist him as this case proceeds.

Plaintiff and Defendant shall each have 30 days from the entry of this order to supplement the record through the filing of a brief (of no more than twenty pages in length) and any exhibits necessary to address the issues and concerns expressed by the court in this order.

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SO ORDERED this 11th day of June 2009.

/s/
RICHARD L. YOUNG, JUDGE
United States District Court
Southern District of Indiana

**APPENDIX C — ENTRY ON PLAINTIFF’S
MOTION FOR SUMMARY JUDGMENT OF THE
UNITED STATES DISTRICT COURT, SOUTHERN
DISTRICT OF INDIANA, TERRE HAUTE
DIVISION, FILED SEPTEMBER 30, 2009**

UNITED STATES DISTRICT COURT SOUTHERN
DISTRICT OF INDIANA TERRE HAUTE
DIVISION

2:07-cv-283- RLY-WGH

MONSANTO COMPANY,

Plaintiff,

vs.

VERNON HUGH BOWMAN,

Defendant.

**ENTRY ON PLAINTIFF’S MOTION FOR
SUMMARY JUDGMENT**

This patent infringement case is before the court on Monsanto Company’s (“Monsanto”) Motion for Summary Judgment. The court identified the legal issue in dispute and set forth the factual background in this court’s Order of June 11, 2009 (Docket #93), wherein the parties were asked to supplement the record and provide additional briefing to assist the court in determining the applicability of the doctrine of patent exhaustion to the circumstances

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of this case. The additional briefing has, indeed, assisted the court in its analysis of the legal issues and furthered its understanding of some of the terminology pertinent to some agronomic/agricultural processes which are relevant to this case. For the sake of efficiency, the court incorporates by reference the entire factual background as set forth in its June 11, 2009 Order and will limit its effort to recite the facts here to a brief summary of events sufficient to set the table for a resolution of the key legal issue, the applicability of the doctrine of patent exhaustion.

Defendant, Vernon Bowman (“Bowman”), admits that in the past he purchased commodity soybean seeds¹ from a grain elevator for the purpose of planting and harvesting a second season crop. He also admits that the majority of the commodity soybeans he purchased contained, by

1. The soybean plant is a legume. The fruit of a soy bean plant are the pods, which contain two to four seeds that are rich in proteins. It is common for these seeds to be referred to as beans. In 1995, Monsanto introduced the genetically modified Roundup Ready[®] soybeans, which are resistant to Roundup, a commonly applied herbicide manufactured by Monsanto. In 1997, approximately 8% of soybeans cultivated for the commercial market in the United States were genetically modified. By the year 2006, that figure was 89%. *See* Wikipedia.org/wiki/Soy_bean.

In the United States, after harvest, the beans/seeds are often sold to grain elevators/dealers. Bowman refers to the beans/seeds as “grain” when they are purchased from a grain dealer. Such a reference to beans/seeds held by a grain dealer as grain, may well be a common reference in agricultural vernacular; however, regardless of which of these terms is used by the court to describe the useful protein product from the soybean plant, it intends no distinction unless specifically explained.

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happenstance or otherwise, the “Roundup Ready®” trait patented by Monsanto. Roundup Ready® soybeans are genetically modified soy beans. The genetic modification was developed and patented by Monsanto and carries forward into each successive crop of soybeans. Monsanto restricts the sale of seeds containing its patented trait to those farmers who agree to be licensed to a single use of the seed or its progeny for planting. However, the soybeans produced from a licensed crop are then often sold by the farmer to a grain elevator, which may or may not segregate the soybeans as “carriers” of the patented trait. The license under which a farmer is authorized to produce this single crop does not restrict his sale of that crop to a grain elevator, but does state that the farmer agrees “not to save any crop produced from this seed for replanting, or supply saved seed to anyone for replanting.”

After harvesting the crop he produced from the commodity soybeans, Bowman saved some of the crop for use in the next year’s second season planting and, supplemented by additional purchases of commodity soybeans (the majority of which also contained the Roundup Ready® trait), continued that process annually until this lawsuit was filed by Monsanto in an effort to stop this practice by Bowman. Bowman has also planted his first season crops with Roundup Ready® soybeans pursuant to a license, but claims he has never saved seed from such a planting. Monsanto claims that Bowman has infringed on its patent through the unauthorized planting of the commodity soybeans which contain the Roundup Ready® trait and via each successive crop planted with saved seed and commodity soybeans.

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In defense, Bowman claims that when the soybeans from a licensed Roundup Ready® crop are harvested and sold to a grain elevator or dealer, they are sold without restriction, mixed with all other soybean crops in from the area and, therefore, when purchased and used by farmers to plant as seed (commodity soybeans) for another crop, they are not protected by patent. Bowman has primarily argued that the doctrine of patent exhaustion applies to strip such commodity soybeans from any patent restrictions, but in this latest round of briefing he has also questioned the constitutionality of Monsanto being allowed to claim a patent violation against anyone planting a soybean/seed with the Roundup Ready® trait, regardless of how that bean/seed came in to their possession. In fact, Bowman has invited the court to go so far as to find that by granting Monsanto a utility patent for its alteration of a seed producing plant, the United States Patent and Trademark Office has acted in violation of the Constitution. Unfortunately for Bowman, aside from the broad statement that such patent protection unduly infringes the rights of farmers and is unconstitutional, he has not developed a cogent argument with respect to the specific constitutional rights he contends have been violated.

Nevertheless, what is compelling about Bowman's argument, and the reason why the court sought further briefing, is the effect, intended or unintended by Monsanto, that Monsanto's claim to patent protection for all soybeans that carry the Roundup Ready® trait has had on the ability of farmers to use commodity beans/seed to plant in lieu of buying beans/seed from Monsanto or

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another seed producer. As Bowman points out, Monsanto's domination of the soybean seed market, combined with the regeneration of the Roundup Ready® trait and the lack of any restriction against the mixing of soybeans harvested from a Roundup Ready® crop from those that are harvested from a crop that was not grown from Roundup Ready® seed, has resulted in the commodity soybeans sold by grain dealers necessarily carrying the patented trait, thereby eliminating commodity soybeans as a low cost (but higher risk) source for planting.

Monsanto, on the other hand, has a compelling argument of its own. It has expended great effort and much money to develop a type of soybean which can be grown efficiently without weed problems, because the planted crop can be treated with a herbicide containing glyphosate. While this type of genetic modification to the soybean plant may be controversial in other parts of the world, its widespread use in the United States indicates that it has been readily accepted here. Unless Monsanto receives the patent protection it is trying to enforce in this case, because the trait carries forward to each successive crop, there would be nothing stopping all farmers from buying commodity soybeans for planting from this point forward, thereby allowing such farmers to receive the benefit of the Roundup Ready® genetic modification without compensating Monsanto for its research and development work. In essence, Monsanto's argument is that the glyphosate resistant trait is a technology that Monsanto owns and licenses. Although the beans produced as a result of planting Roundup Ready® seeds belong to the farmer, the technology contained in the progeny still

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belongs to Monsanto and, without authorization, may not be duplicated through a planting of that progeny. In short, the progeny soybeans can be sold for any use *other than planting*, regard less of who is in possession.

As a counterpoint to Monsanto's own equitable assertion stands Bowman's contention that Monsanto could use its "Terminator gene" to assure that the progeny of Roundup Ready® seeds do not contain the trait and thereby protect its interest in selling additional soybean seed. However, there is no admissible evidence in the record with regard to the existence of such a gene or its application in these circumstances. More importantly, the court is not the appropriate venue for raising a policy argument with respect to conditions which should be placed upon an award of a utility patent for genetically altered seed.

Another policy argument raised by Bowman is that Monsanto should be required to include with its license to plant Roundup Ready® seed, a requirement that the resulting crop be segregated from non-Roundup Ready® crops going forward, so that commodity soybean planting is not eliminated as an option for farmers. This later argument dovetails with Bowman's claim that the doctrine of patent exhaustion applies in this case because of the lack of a soybean crop segregation or similar restriction.²

2. In a policy related argument, Bowman also spends time in his supplemental submission opining as to whether Roundup Ready® soybeans are actually soybeans or, rather, a new variety of plant, which should be sold or traded within its own separate categorization. Resolution of such an issue is beyond the realm of this court.

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In the end, despite Bowman's compelling policy arguments addressing the monopolizing effect of the introduction of patented genetic modifications to seed producing plants on an entire crop species, he has not overcome the patent law precedent which breaks in favor of Monsanto with regard to its right to patent protection against the use of the progeny of its patented Roundup Ready® seeds. Said another way, the court may disagree with the decision to award unconditional patent protection to Monsanto for its genetically altered soybeans and their progeny, but this court does not make policy; rather, it interprets and enforces the law, which, in this case, does not support Bowman.

The essence of Bowman's argument with regard to patent exhaustion is that the relatively recent Supreme Court's decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. ___, 128 S.Ct. 2109 (2008) lends support to his contention that when a duly licensed farmer sells his crop of soybeans produced from Roundup Ready® seeds, it is an authorized unconditional sale of the patented technology and, therefore, the patent is exhausted as to those soybeans. This court is not the first to hear a farmer rely on *Quanta* as a basis for finding that the sale of Roundup Ready® seed, unaccompanied by any restriction on its further use, exhausts Monsanto's patent.

In *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006), the Federal Circuit ruled that the patent exhaustion doctrine did not apply to a farmer who had purchased Roundup Ready® seed for planting from an authorized distributor and saved seed from the progeny for purposes of successive year planting. The farming group involved

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had purchased Roundup Ready® seed from a Monsanto authorized distributor without signing or agreeing to any accompanying license or restriction. They argued that without a licensing restriction, their use of those seeds or the progeny was unencumbered. *Id.* at 1335-36. The Federal Circuit, however, was not persuaded.

Scruggs argues that it purchased the Monsanto seeds in an unrestricted sale, and that it was therefore entitled to use those seeds in an unencumbered fashion under the doctrine of patent exhaustion. The first sale/patent exhaustion doctrine establishes that the unrestricted first sale by a patentee of his patented article exhausts his patent rights in the article. *See Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 701 (Fed.Cir. 1992); *see also LG Elecs., Inc. v. Bizcom Elecs., Inc.*, 453 F.3d 1364 (Fed.Cir. 2006). The doctrine of patent exhaustion is inapplicable in this case. There was no unrestricted sale because the use of the seeds by seed growers was conditioned on obtaining a license from Monsanto. Furthermore, the “‘first sale’ doctrine of exhaustion of the patent right is not implicated, as the new seeds grown from the original batch had never been sold.” *See Monsanto v. McFarling*, 302 F.3d 1291, 1299 (Fed.Cir. 2002). Without the actual sale of the second generation seed to Scruggs, there can be no patent exhaustion. The fact that a patented technology can replicate itself does not give a purchaser the right to use replicated copies of the technology. Applying the first sale doctrine

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to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder.

Id.

After the Supreme Court denied certiorari, *Scruggs v. Monsanto Co.*, 549 U.S. 1342 (2007), the case went back to the district court for further proceedings. While the *Scruggs* case was still with the district court, the Supreme Court rendered its decision in *Quanta*. Citing *Quanta* as support, Scruggs sought to revitalize its exhaustion defense to Monsanto's claim of patent infringement. The district court rejected that effort and, on Petition for Permission to Appeal pursuant to 28 U.S.C. § 1292(b), the Federal Circuit recently denied an interlocutory appeal of that decision. 2009 WL 1228318 (May 4, 2009 Fed. Cir.).

Bowman argues that unlike *Scruggs*, where the farmer saved seed from the first crop grown from the Roundup Ready® seeds purchased from an authorized distributor, Bowman did not save seed from his first season crops (which were grown from first generation Roundup Ready® seeds purchased by Bowman from a licensed distributor, Pioneer). Rather, he planted progeny soybeans contained in commodity soybeans which had been sold to grain dealers without restriction. While this may appear at first blush to be a distinction that makes a difference, it does not under established patent law. Even before the *Scruggs* litigation, the Federal Circuit stated, in a case with a similar challenge to Monsanto's patent protection against replanting saved seeds, that:

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[t]he “first sale” doctrine of exhaustion of the patent right is not implicated, as the new seeds grown from the original batch had never been sold. The price paid by the purchaser “reflects only the value of the ‘use’ rights conferred by the patentee.” *B. Braun Medical Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426, 43 USPQ2d 1896, 1901 (Fed.Cir.1997). The original sale of the seeds did not confer a license to construct new seeds, and since the new seeds were not sold by the patentee they entailed no principle of patent exhaustion.

Monsanto Co. v. McFarling, 302 F.3d 1291, 1299 (Fed. Cir. 2002). The fact that Monsanto had not sold the progeny seeds was relied on by the Federal Circuit to eliminate a defense based upon patent exhaustion.

Another reason why the *McFarling* case is persuasive in these circumstances is the Federal Circuit’s rejection of the farmer’s reliance on *United States v. Univis Lens Co.*, 316 U.S. 241 (1942) as support for the application of the doctrine of patent exhaustion. As we detailed in our Order of June 11, 2009, the Supreme Court turned to its analysis in the *Univis* decision to assist it in reaching its conclusion in the *Quanta* case.

Quanta involved the application of the doctrine of patent exhaustion to a method patent where the item which embodied the method was sold with implied authorization from the patent holder. *Quanta*, 128 S.Ct. at 2110-11. *Univis* involved patented eyeglass lens blanks, which

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the patentee had sold to lens makers, but still sought to control the resale price. *Univis*, 316 U.S. at 247-48. In both cases, the patent exhaustion doctrine was found to apply because the patent holder had licensed the article at issue to another entity without sufficient conditions to protect its patent rights. The distinction found by the Federal Circuit in *McFarling*, and which exists here as well, is that the Monsanto licenses (and the agreements its licensees required from farmers) for Roundup Ready® soybeans specifically excluded saving seed or otherwise providing anyone progeny soybeans for purposes of planting. *McFarling*, 459 F.3d at 1335-36. No unconditional sale of the Roundup Ready® trait occurred because the farmers could not convey to the grain dealers what they did not possess themselves. *Id.* at 1336. It is no different in the case at bar. The grain elevator/dealer from whom Bowman bought the soybeans had no right to plant the soybeans and could not confer such a right on Bowman. Consequently, Bowman has infringed on Monsanto's patent rights by planting the commodity soybeans, which contained the patented trait, and then applying a glyphosate-based herbicide to that planted crop.

That brings the court to the question of damages. In its motion, Monsanto seeks compensatory damages, enhanced damages, attorney fees and interest, as well as a permanent injunction enjoining Bowman from using or selling its patented crop technologies. However, this is neither an exceptional nor an egregious case; therefore, the court will not award enhanced damages, attorneys fees or prejudgment interest. Bowman never attempted to hide what he was doing and, in good faith, he believed

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that his actions did not violate the patents at issue. As difficult as it has proven for the court to discount a very compelling argument on the exhaustion of Monsanto's patent rights, it was certainly within reason for Bowman to reach a conclusion that what he was doing was within legal bounds.

What remains then is for the court to determine the compensatory damages and the availability of permanent injunctive relief. Monsanto is entitled to a reasonable royalty for the unlicensed use of its technology. 35 U.S.C. § 284. Monsanto has provided an expert assessment of, and testimony with respect to, an amount of damages it is entitled to receive for the second season crops planted by Bowman for which he used, without license, soybeans which carried the Roundup Ready® trait from 2002 through 2006. Monsanto has offered evidence that the analysis used by their experts to calculate a reasonable royalty is accepted by their peers in the industry and an examination by the court has discovered no basis to question the methodology used. More importantly, Bowman has not contested the method of damage calculation or offered an alternative measure. The expert report submitted by Monsanto calculates the upper bounds of an estimated royalty for the applicable years to be \$30,873.80. The report goes on to suggest that because Monsanto faces constant risk of unauthorized use and must engage in such activities as crop monitoring in order to enforce its patents, the costs of such compliance monitoring and other risk related costs should be added to the \$30,873.80 figure. Under the circumstances of this case, the court does not find that any additional amount should be added to the statutorily

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mandated reasonable royalty, which was appropriately calculated on a hypothetical basis by Monsanto's experts.

Finally, there is the issue of injunctive relief to which Monsanto is entitled. As a part of the final judgment that shall issue separately, the court will enjoin Defendant, Vernon Hugh Bowman, permanently, from making, using, selling or offering to sell any of Monsanto's patented crop technologies.

CONCLUSION

Based upon the facts and analysis contained in the court's prior Order of June 11, 2009 (Docket #93) and the explication contained within this entry, Monsanto's Motion for Summary Judgment (Docket #62) is **GRANTED** and judgment shall be entered in favor of Monsanto and against Vernon Hugh Bowman in the amount of \$30,873.80, plus costs and interest from the date of judgment.

SO ORDERED this 30th day of September 2009.

/s/

RICHARD L. YOUNG, JUDGE
United States District Court
Southern District of Indiana

**APPENDIX D — FINAL JUDGMENT OF THE
UNITED STATES DISTRICT COURT, SOUTHERN
DISTRICT OF INDIANA, TERRE HAUTE
DIVISION, FILED SEPTEMBER 30, 2009**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
TERRE HAUTE DIVISION

2:07-cv-0283-RLY-WGH

MONSANTO COMPANY,

Plaintiff,

vs.

VERNON HUGH BOWMAN,

Defendant.

FINAL JUDGMENT

Comes now the court, having this day granted Plaintiff's Motion for Summary Judgment, and enters final judgment in its favor, and against the Defendant herein, Vernon Hugh Bowman. Judgment shall be entered in favor of Monsanto and against Vernon Hugh Bowman in the amount of \$30,873.80, plus costs and interest from the date of this judgment.

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SO ORDERED this 30th day of September 2009.

/s/ _____
RICHARD L. YOUNG, JUDGE
United States District Court
Southern District of Indiana

Laura Briggs, Clerk
United States District Court
/s/ _____
By: Deputy Clerk

**APPENDIX E — ORDER OF THE UNITED
STATES DISTRICT COURT, SOUTHERN
DISTRICT OF INDIANA, TERRE HAUTE
DIVISION, FILED MAY 12, 2010**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
TERRE HAUTE DIVISION

2:07-cv-283-RLY-WGH

MONSANTO COMPANY,

Plaintiff,

vs.

VERNON HUGH BOWMAN,

Defendant.

**ORDER GRANTING PLAINTIFF'S RULE 59
MOTION AND DENYING DEFENDANT'S
RULE 60 MOTION**

On September 30, 2009, this court granted Monsanto Company's summary judgment motion and entered final judgment in favor of Monsanto, awarding it damages of \$30,873.30. On October 14, 2009, Monsanto filed a motion under Fed. R. Civ. P. 59(e), asking the court to amend the final judgment to reflect damages of \$84,456.20. On December 15, 2009, Defendant, Vernon Hugh Bowman, who is proceeding *pro se* and has represented himself throughout most of the litigation, filed a motion seeking relief from judgment pursuant to Fed. R. Civ. P. 60(b). For the reasons explicated in this order, the court will grant Monsanto's motion and deny Bowman's motion.

*Appendix E***Monsanto's Rule 59(e) Motion**

To prevail on a Rule 59(e) motion, the movant must present newly discovered evidence that was unavailable at the time of trial or provide evidence from the record that clearly establishes a manifest error of law or fact. *Oto v. Metropolitan Life Ins. Co.*, 224 F.3d 601, 606 (7th Cir. 2000). In this case, Monsanto argues that the court has made a manifest error in misinterpreting its expert's report on damages. It contends that the damages the court awarded are not consistent with its expert's conclusions and is also less than the \$36,138 which Bowman would have had to pay had he purchased and planted Monsanto's patented seeds. Monsanto maintains that a damage award for patent infringement would serve no deterrent purpose if it were for less than the cost of the readily available use license.

The court agrees that the reasonable royalty awarded to Monsanto for an infringing farmer's unlicensed use of its patented seeds must be greater than the cost of the license or "technology fees" that a farmer pays if he seeks to plant Monsanto's patented seeds, otherwise an incentive is created for other farmers to follow in the infringing farmer's footsteps. *Monsanto Co. v. David*, 516 F.3d 1009, 1018 (Fed. Cir. 2008); *Monsanto Co. v. Tidball* 2009 WL 2757047 (E.D. Mo. August 26, 2009). When this court first examined the expert report submitted by Monsanto, it had not attempted to calculate what it would have cost Bowman to purchase licensed seed and assumed that Monsanto's expert's calculation of a reasonable royalty, without additions for compliance monitoring, field testing and the like (see page 13 of expert report), was an amount greater than what the costs of licensed seeds would have

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been. Monsanto has demonstrated that this was not the case, and that the \$30,873.80 figure was only a reasonable royalty implied if it were unnecessary to build into the damages award (as it does its technology fees) the costs associated with protecting the patent.

In its September 30, 2009, entry granting Monsanto's Motion for Summary Judgment, this court incorrectly discounted the "Additional Considerations" portion of the expert report as an enhancement of the reasonable royalty for Bowman's infringing conduct as opposed to a critical component thereof. Because Bowman offered no alternative damages calculation, the only damages calculation supported by the evidence is that which was contained in the report prepared by Monsanto's expert, Timothy Taylor, Ph.D.; and, because the additional considerations identified by Taylor were not merely enhancements, his calculations, which included those additional considerations, must be credited. Accordingly, Monsanto is entitled to an award of damages in the amount of \$84,456.20, and the final judgment will be amended to reflect the same.

Bowman's Rule 60 Motion

Outside of correcting a clerical mistake, a party may obtain relief from a final judgment under Rule 60 for the following reasons:

- (1) mistake, inadvertence, surprise, or excusable neglect;

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- (2) newly discovered evidence that, with reasonable diligence, could not have been discovered in time to move for a new trial under Rule 59(b);
- (3) fraud (whether previously called intrinsic or extrinsic), misrepresentation, or misconduct by an opposing party;
- (4) the judgment is void;
- (5) the judgment has been satisfied, released or discharged; it is based on an earlier judgment that has been reversed or vacated; or applying it prospectively is no longer equitable; or
- (6) any other reason that justifies relief.

Fed. R. Civ. P. 60(b).

Bowman asserts three of these reasons in advancing his Rule 60 Motion for Relief From Judgment. He first claims that due to inadvertence, mistake or excusable neglect he did not contest Monsanto's "damage claim involving no-till practices." He goes on to assert that Monsanto engaged in fraud or misrepresentation by submitting its damage calculations for no-till, "when anyone familiar with second crop plantings understood that no-till was the accepted practice." And, finally, he simply contends that the court's determination that he violated Monsanto's patent rights was wrong.

Bowman's failure to understand Monsanto's damages argument and his failure to challenge the same until after

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Monsanto filed its Rule 59 motion is not the type of mistake or excusable neglect upon which he can base a successful Rule 60 motion. Rule 60 does not authorize relief from the consequences of negligence or carelessness, but requires some justification for the error. *Lomas and Nettleton Co. v. Wiseley*, 884 F.2d 965, 967 (7th Cir. 1989). Bowman does not offer a justification for his earlier inability to understand Monsanto's damages argument, and though he may not have fully understood the argument, he did make counter-assertions (though not properly supported by evidence of record) regarding several of the expert's assertions. The challenges he raises now to Dr. Taylor's expert report, if supported by admissible evidence, could have been raised at the time of the summary judgment briefing.

Moving to his second basis for relief, Bowman does not clearly detail what it is that he claims was fraudulent conduct on the part of Monsanto. He seems to suggest that Monsanto's submission of a calculation of damages based upon no-till planting procedures is somehow fraudulent. The assertion of a legal position or argument is not fraudulent conduct. *Roger Edwards, LLC v. Fiddes & Son Ltd.*, 427 F.3d 129, 137 (1st Cir. 2005). Only where the moving party shows by clear and convincing evidence that he was somehow fraudulently prevented from presenting the merits of his case is relief appropriate under Rule 60 (b)(3). *Ervin v. Wilkinson*, 701 F.2d 59, 61 (7th Cir. 1983). That is not the situation here, as nothing prevented Bowman from advancing the merits of his defenses.

As for Bowman's contention that the court wrongly decided that the patent exhaustion doctrine did not apply in

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this situation and that it further erred in finding him liable for a breach of Monsanto's patent, those are arguments to raise in an appeal. The court previously considered and rejected Bowman's arguments against a finding of liability, granting Monsanto summary judgment. A Rule 60 motion is not a substitute for a substantive appeal. *Stoller v. Pure Fishing Inc.*, 528 F.3d 478, 480 (7th Cir. 2008); *Schonback v. U.S.*, 983 F.2d 1073 (7th Cir. 1993). In briefing his Rule 60 motion, Bowman simply rehashes much of what he argued at the summary judgment stage. If this court wrongly decided the issue, the Court of Appeals will correct it, but for now the earlier determination in favor of Monsanto is final in this court.

Conclusion

For the foregoing reasons, Plaintiff's Rule 59 Motion to Alter or Amend (Docket # 106) is **GRANTED** and Defendant's Motion For Relief From Judgment (Docket # 126) is **DENIED**. A separate Amended Final Judgment shall issue increasing the damages awarded to Plaintiff to \$84,456.20. That judgment should also set forth the injunctive relief previously provided by the court in its September 30, 2009, entry.

SO ORDERED this 12th day of May 2010.

/s/

RICHARD L. YOUNG, CHIEF JUDGE
United States District Court
Southern District of Indiana

**APPENDIX F — AMENDED FINAL JUDGMENT
OF THE UNITED STATES DISTRICT COURT,
SOUTHERN DISTRICT OF INDIANA, TERRE
HAUTE DIVISION, FILED MAY 12, 2010**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
TERRE HAUTE DIVISION

2:07-cv-283-RLY-WGH

MONSANTO COMPANY,

Plaintiff,

vs.

VERNON HUGH BOWMAN,

Defendant.

AMENDED FINAL JUDGMENT

Comes now the court, having this day granted Plaintiff's Rule 59 Motion to Amend or Alter Judgment, and enters this Amended Final Judgment in favor of Plaintiff, Monsanto Company, and against Vernon Hugh Bowman in the amount of \$84,456.30, plus costs and interest from the date of this Amended Final Judgment. In addition, Vernon Hugh Bowman is hereby permanently enjoined from making, using, selling or offering to sell any of Monsanto's patented crop technologies.

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SO ORDERED this 12th day of May 2010.

/s/
RICHARD L. YOUNG, CHIEF JUDGE
United States District Court
Southern District of Indiana

Laura Briggs, Clerk
United States District Court

By: Deputy Clerk

**APPENDIX G — ORDER DENYING RULE 59(E)
MOTION OF THE UNITED STATES DISTRICT
COURT, SOUTHERN DISTRICT OF INDIANA,
FILED OCTOBER 29, 2010**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA

NO. 2:07-cv-0283-RLY-WGH

MONSANTO COMPANY,
MONSANTO TECHNOLOGY LLC,

Plaintiffs,

vs.

VERNON HUGH BOWMAN,

Defendant.

ENTRY

The Court of Appeals has explained that there are only three valid grounds for a Rule 59(e) motion--newly-discovered evidence, an intervening change in the law, and manifest error in law. *See Cosgrove v. Bartolotta*, 150 F.3d 729, 732 (7th Cir. 1998). The defendant's motion to alter or amend the court's order of May 12, 2010, presents arguments which were or could have been made previously. It does not do so in any fashion persuading the court that a manifest error of law has occurred, that the motion rests on newly discovered evidence, or that

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the motion rests on a change in the law. Accordingly, the motion (dkt 133) is **denied**.

IT IS SO ORDERED.

Date: 10/29/2010

/s/ _____
RICHARD L. YOUNG, CHIEF JUDGE
United States District Court
Southern District of Indiana