No. 11-796

IN THE

Supreme Court of the United States

VERNON HUGH BOWMAN,
Petitioner,

v.

MONSANTO COMPANY, ET AL.,
Respondents.

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

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Whether the Federal Circuit correctly ruled that Monsanto's patent rights in biotechnology related to genetically modified plants (here, patented technologies that make soybeans resistant to glyphosate-based herbicides) are independently applicable to each generation of soybeans embodying the invention, such that a grower who, without authorization from Monsanto, creates a new generation of genetically modified soybeans infringes Monsanto's patents.

RULE 29.6 STATEMENT

Respondent Monsanto Company is a publicly held corporation; no publicly held company owns 10% or more of its stock. Respondent Monsanto Technology LLC is a wholly owned subsidiary of Monsanto Company.

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STATEMENT

1. Monsanto develops, manufactures, licenses, and sells agricultural biotechnology and agricultural chemicals. One of the most popular product classes that Monsanto manufactures is the Roundup® family of herbicides. The active ingredient in Roundup®, glyphosate, is highly effective in eliminating weeds.

Because glyphosate is non-selective, it can damage not just weeds but also other plants, including crops, that are not resistant to it. After the investment of substantial time, expense, and expertise, Monsanto developed revolutionary biotechnology that protects crops from glyphosate. This technology involves the insertion

of a novel gene into crop seed, such as soybeans. The resulting engineered seed and the crop plant grown from it are resistant to glyphosate. A grower who plants a herbicide-resistant crop containing Monsanto's biotechnology can spray glyphosate over the top of his entire field, and thereby kill the weeds without harming crops. *See* Pet. App. 3a-5a, 20a. This method of farming affords growers considerable savings in labor and expense, increases yields, and reduces soil erosion by eliminating the need for tilling fields.

Monsanto's biotechnology is protected by U.S. Patent Nos. 5,352,605 and RE39,247E. Seed containing that patented technology is marketed as Roundup Ready® seed. Monsanto strictly limits the distribution of Roundup Ready® seed for planting to authorized channels. The only way that a grower may obtain Roundup Ready® seed for planting is to purchase that seed from an authorized seed dealer. A grower will not be authorized to plant Roundup Ready® seed unless he executes an approved Technology Agreement and obtains a limited-use license from Monsanto.

That license grants the grower the right to use the patented biotechnology in Roundup Ready® seed only to plant a single commercial crop. The license explicitly prohibits a purchaser of Roundup Ready® seed from saving his harvested crop and replanting seed from that crop (which also contains the patented biotechnology) to create another generation of crops. A grower who plants Roundup Ready® seed may sell the harvested crop through customary distribution channels as a commodity, or for use as animal feed. But a grower is never authorized by Monsanto to sell his crop to another party, such as another grower, for the purpose of replanting that crop and creating more generations of crops.

These restrictions on the use of subsequent generations of the seed for planting are necessary because Roundup Ready® technology is self-replicating. Therefore, the progeny of the plants grown with the modified genes will also contain the genetic trait that makes them resistant to glyphosate. Soybeans present a particular concern because they self-replicate at an exponential rate, and because the harvested commodity is essentially identical to the planted seed. The harvested commodity seed can be easily replanted without the need for expensive seed cleaning and treatment.

Monsanto's license restrictions on planting second- and subsequent-generation seed containing the patented biotechnology are fundamental to its business. Without reasonable license restrictions prohibiting the replanting of second- and later-generation soybeans, Monsanto's ability to protect its patented technology would effectively be lost as soon as the first generation of the product was introduced into the market. Monsanto has therefore never authorized growers to plant soybeans containing the Roundup Ready® trait that were obtained without a valid license agreement or from an unauthorized seller, whether they are "commodity soybeans" (*i.e.*, harvested seed sold to a grain dealer for resale) obtained from a grain elevator, seed produced and saved by the grower himself, or seeds obtained directly from another grower.

2. Petitioner Vernon Bowman operates a farm in Indiana. From 1999 through 2007, Bowman planted Roundup Ready soybeans, including soybeans purchased from an authorized seed dealer. He executed a Technology Agreement that informed him of the restrictions on replanting harvested Roundup Ready soybeans.

In 1999, Bowman developed an idea that, he believed, would allow him to replant harvested Roundup Ready® soybeans to create a new crop, despite the restrictions in the license that prohibited saving and replanting harvested seed. Bowman believed that, if he purchased harvested soybeans from a grain elevator, he could replant those soybeans to create a new crop. Thus, although Bowman would not be replanting his own crop harvest (or a crop he purchased directly from another farmer), he would be replanting seeds that other farmers had grown and sold to the grain elevator as a commodity. And although Roundup Ready® soybeans are often commingled with conventional soybeans in grain elevators, there was no doubt that Bowman hoped and expected that the soybeans he purchased from the elevator would be resistant to glyphosate: each year from 1999 to 2007, after purchasing soybeans from the elevator and planting them (or the progeny of soybeans he had purchased from the elevator in prior years), Bowman sprayed his fields with glyphosate two or more times, which would have killed any conventional soybeans.

3. In 2007, Monsanto sued Bowman for patent infringement. Discovery established that, in each year from 2002 to 2007, Bowman had planted dozens of acres of glyphosate-resistant soybeans, which were either purchased from a grain elevator or saved from the harvest of a prior year's crop also grown from soybeans purchased from the elevator.

Bowman did not deny that he had replanted harvested glyphosate-resistant soybeans. Rather, he argued that, under this Court's decision in *Quanta Computer, Inc.* v. *LG Electronics, Inc.*, 553 U.S. 617 (2008), Monsanto's patent rights in those soybeans were exhausted once the grower sold those harvested soybeans

to the grain elevator (or even earlier, once the grower purchased the soybean seed from Monsanto that was used to grow that crop). The district court, relying on Federal Circuit precedent, rejected that argument and entered summary judgment for Monsanto.

4. On appeal, Bowman renewed his argument that Monsanto's patent rights in second- and subsequent-generation soybeans were exhausted, and that prior Federal Circuit decisions holding to the contrary were no longer valid after *Quanta*. The Federal Circuit rejected that contention and affirmed.

In so ruling, the Federal Circuit examined two of its prior decisions, *Monsanto Co.* v. *McFarling*, 302 F.3d 1291 (Fed. Cir. 2002), and *Monsanto Co.* v. *Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006), that had rejected similar contentions. Each of those cases also involved growers who replanted harvested second-generation soybeans without authorization from Monsanto, although in those cases the growers had saved and replanted their own harvested crops, not soybeans purchased from a grain elevator. As the court explained, in those two decisions, it had identified two distinct reasons why Monsanto retained patent rights in the biotechnology in soybeans harvested from Roundup Ready® soybean seed, and those patent rights were not "exhausted" in the first generation of soybeans.

First, the court explained, prior decisions had noted that Monsanto never made or permitted an unconditional sale of soybeans containing its biotechnology, but always required that soybean seed be sold for planting only through authorized channels and attended by a limited license strictly defining the allowed uses of the soybean seed and its progeny. Pet. App. 13a. Pre-*Quanta* decisions had held that patent rights

in technology embodied in articles are not exhausted unless those articles are subject to an unconditional first sale, which was not the case with seed containing Monsanto's technology. *See id.*

Second, the court noted that in its prior decisions, it had emphasized that the exhaustion doctrine did not apply in any event to articles that had never been subject to an authorized sale, which is the case with second- and subsequent-generation soybeans that are replanted or harvested without Monsanto's authorization. Monsanto retains patent rights in each generation of soybeans, and its patent rights in a soybean are not exhausted unless, at a minimum, *that item* has been the subject of an authorized sale. Thus, as the court had explained in *McFarling*, "the first sale doctrine of patent exhaustion was not implicated, as the new seeds grown from the original batch had never been sold." Pet. App. 13a (quoting *McFarling*, 302 F.3d at 1299; punctuation altered).

In this case, the court of appeals found the second rationale sufficient to reject Bowman's claim of patent exhaustion, without relying on the first (conditional sale) rationale. As the court explained, even if Monsanto's patent rights in the soybeans that Bowman purchased from the grain elevator were exhausted as a result of a grower's sale of those soybeans to the elevator, Monsanto still retained patent rights in the subsequent generation of crops that Bowman grew from those soybeans, which Bowman was never authorized to create: "[O]nce 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." Pet. App. 14a. The court likened the creation of a new generation of soybeans to the reconstruction of a patented

article, which is not authorized merely because the patentee has authorized the sale of one copy of that article. *See id.*

The court also rejected Bowman's argument that the authorized sale of soybean seed for planting exhausts patent rights in all subsequent generations of soybeans on the theory that the sold seed substantially embodies all the subsequent soybeans. That theory, the court explained, depends on Bowman's contention that the only reasonable and intended use of the subsequent generations of soybeans is to replant them to create new seeds, but that argument is clearly wrong: "[T]here are various uses for commodity seeds, including use as feed." Pet. App. 14a. Thus, the court held, "[w]hile farmers, such as 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." *Id.*

ARGUMENT

The issue that Bowman asks this Court to decide—whether the Federal Circuit's conditional-sale doctrine remains valid after *Quanta*—is not properly presented. The Federal Circuit did not rely on that doctrine for its decision, but rather relied on the separate rationale that patent rights exist separately in each article embodying patented biotechnology, and so patent rights in an article are not exhausted unless that particular article is the subject of an authorized sale. Thus, the Federal Circuit ruled that, even if Monsanto's patent rights in the soybeans that Bowman purchased from a grain elevator were exhausted, that did not give Bowman the right to plant those soybeans to create a new generation of crops, because in doing so Bowman necessarily

created new articles—another generation of soybeans—in which Monsanto retained its patent rights. That conclusion is correct. It is consistent with basic principles of patent law, under which the sale of an article embodying a patent, even if it exhausts the patentee's rights in that article, does not give the purchaser (or anyone else) the right to manufacture a new copy of that article. Nothing in this Court's decision in *Quanta*, which did not address any issue involving self-replicating technology, suggests otherwise. The petition should therefore be denied.

I. THIS CASE DOES NOT PRESENT AN APPROPRIATE VEHICLE TO CONSIDER THE CONTINUING VALIDITY OF THE FEDERAL CIRCUIT'S CONDITIONAL-SALE DECISIONS, BECAUSE THE FEDERAL CIRCUIT DID NOT RELY ON THAT RATIONALE

Virtually all of the petition for certiorari is devoted to an issue that the Federal Circuit did not address (because it did not need to reach it under the facts presented). Petitioner incorrectly argues that in this case the Federal Circuit relied on the so-called "conditional sale doctrine," a reference to prior circuit court holdings that patent rights in an article are not exhausted unless that article has been the subject of an *unconditional* sale. *See* Pet. 9-16. According to petitioner, those rulings were disapproved by this Court's decision in *Quanta*, which held that "[t]he authorized sale of an article that substantially embodies a patent exhausts the patent holder's rights and prevents the patent holder from invoking patent law to control postsale use of the article." *Quanta Computer, Inc.* v. *LG Elecs., Inc.*, 553 U.S. 617, 638 (2008). Petitioner maintains that after *Quanta* there can be no such thing as a conditional sale of an article under patent law, and that once a pat-

ented article is subject to an authorized sale, whether conditional or unconditional, the patentee loses all rights to enforce patent rights in that article. *See* Pet. 12.

Whatever the merits of petitioner's argument about the continuing vitality of the Federal circuit's conditional-sale rulings, this case does not present a proper vehicle for this Court to resolve that question. The Federal Circuit pointedly did *not* rely on that aspect of its prior decisions to decide this case. Rather, the Federal Circuit expressly relied on a separate ground (consistent with its own prior decisions on self-replicated technology and longstanding principles of patent law articulated by this Court), and held that Monsanto's patent rights in the soybeans that petitioner grew were not exhausted because *those soybeans* had never been the subject of *any* sale—conditional or unconditional. As the court of appeals explained, even if Monsanto's rights in the seeds that Bowman *purchased* were exhausted, its rights in the soybeans he *created* by planting the seeds remained intact, and by planting the seeds Bowman manufactured "a newly infringing article"—new soybeans. Pet. App. 14a.

It is true that the Federal Circuit's prior decisions on self-replicating technology invoked both rationales for rejecting exhaustion arguments—*i.e.*, both that Monsanto's rights in the original soybean seeds were not exhausted because they were never the subject of an unconditional sale, and also that Monsanto's rights in subsequent generations of harvested soybeans were not exhausted because those soybeans were never the subject of any authorized sale (whether conditional or unconditional). *See Monsanto Co.* v. *McFarling*, 302 F.3d 1291, 1298-1299 (Fed. Cir. 2002) (relying on both

rationales); *Monsanto Co.* v. *Scruggs*, 459 F.3d 1328, 1336 (Fed. Cir. 2006) (same). But the Federal Circuit made clear in this case that the rationales are separate and independent, and that Monsanto's patent rights in progeny do not depend on the vitality of the conditional-sale concept. Rather, the court of appeals relied squarely on the understanding that exhaustion proceeds on an article-by-article basis, and that exhaustion of patent rights in one article that has been sold does not exhaust patent rights in another article that has never been the subject of an authorized sale. *See* Pet. App. 13a-14a. Thus, because the soybeans that Bowman grew were never the subject of an authorized sale, Monsanto's patent rights in those soybeans were not exhausted.

This reasoning is entirely consistent with *Quanta*. Although the Court in *Quanta* was not presented with any issue concerning self-replicating technology, *Quanta* confirms that patent rights may be exhausted only on an article-by-article basis. *See* 553 U.S. at 625 ("The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to *that item*." (emphasis added)). Each time that this Court articulated the exhaustion standard in *Quanta*, it specifically spoke of exhaustion of patent rights in the particular article or product that was sold, rather than more broadly to the rights of the parties to the sale. *See, e.g.*, *id.* at 625, 626-628, 631-632, 636-637. That framework explains why Monsanto's rights in the progeny of the seed that Bowman planted were not exhausted, for the soybean seed that a grower plants in the ground is not the same item as the scores of new soybeans that grow from that single seed. Thus, the exhaustion doctrine does not ap-

ply to subsequent generations of soybeans that were never sold.

II. THE FEDERAL CIRCUIT'S ACTUAL BASIS FOR ITS DECISION IS CORRECT

Bowman devotes just more than a page of his petition (Pet. 19-20) to challenging the actual basis of the Federal Circuit's decision, and makes two arguments in support of that challenge. First, Bowman argues that the Federal Circuit erred in ruling that, when Bowman planted soybean seed to create a new crop, he made (without authorization) a new patented article (the new soybeans). Rather, Bowman argues, planting the soybeans only constituted an authorized *use* of the soybean seed that he purchased from the grain elevator. But the Federal Circuit's decision is correct.

Bowman appears to be arguing that the activities of infringement (making, using, or selling an invention without authorization) prohibited by 35 U.S.C. § 271(a) are mutually exclusive. That is, according to Bowman, an activity that constitutes an infringing "use" cannot also constitute an infringing manufacture, and that his activity of planting patented soybean seed for the purpose of growing an exponential number of new patented soybeans was more akin to a "use" than to a "making." Pet. 19. Bowman points to no support for that contention, and there is none.

To be sure, when a farmer plants soybean seed to create a new crop of soybeans, he uses the seeds; but that hardly means that he does not also make the soybeans that grow from those seeds. While the situations where an invention is simultaneously both used and made may be unusual, there is nothing inherently impermissible or nonsensical in concluding that Bowman

engaged in both activities when he planted Roundup Ready® soybean seed. Rather, that conclusion follows from the fact that the technology patented by Monsanto is self-replicating. And although, as Bowman observes (Pet. 20), seed left untended in a field might also self-replicate, that does not undermine the conclusion that, when Bowman planted seed in the ground for the express purpose of growing soybeans, he "made" the soybeans that then emerged from the ground, and that was an act of infringement.

Bowman's argument overlooks the fundamental point in patent law that a patentee receives the exclusive rights (among others) to make, use, *and* sell its invention, and that those are separate rights that may be vindicated by a suit for infringement. 35 U.S.C. § 271(a); *see also Caterpillar Tractor Co.* v. *International Harvester Co.*, 106 F.2d 769, 774 (9th Cir. 1939) ("the manufacturing of one machine by the plaintiff would have made plaintiff subject to a suit for infringement regardless of 'use'"). As the Federal Circuit explained in an earlier case (on which it relied in the decision below), "the rights of ownership" that the purchaser of a patented article obtains "do 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. *International Trade Comm'n*, 264 F.3d 1094, 1102 (Fed. Cir. 2001). This Court has also recognized that point in its decisions holding that, although the purchaser of a patented article may implicitly obtain the right to *repair* that article as an incident of normal use, it does not thereby obtain the right to completely rebuild the article—that is, to make it. *Compare Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 342-343 (1961) (right to repair passes with purchase of patented

article) *with American Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89, 93-94 (1882) (purchaser does not obtain right of reconstruction).

Second, Bowman argues that it is senseless to speak of a farmer's "manufacturing" or "making" a new generation of soybeans by planting soybean seeds, and attempts to draw a distinction between the "manufacture" of soybean seeds containing Monsanto's patented technology through the insertion of germplasm into seeds, and the planting of seeds already containing the patented technology to make new seeds containing the patented technology. Pet. 20. According to Bowman, it cannot be the case that both activities constitute "making" under 35 U.S.C. § 271(a). But Bowman offers no reason why that should be so, and no decision of this Court or any other court suggests that "making" under § 271(a) is limited to only one particular subset of activities that result in the creation of an article embodying the patent.

Bowman's fundamental argument appears to be that exhaustion of rights in one generation of soybeans must inevitably extend to subsequent generations as well because the only reasonable and intended use of soybean seeds is to plant them and allow them to grow and be harvested. But as the court of appeals explained (Pet. App. 14a), that is clearly not correct. There are many uses of soybeans purchased from a grain elevator, as well as from soybeans grown from those soybeans. Soybeans are used in the manufacture of many food products, and for animal feed. Thus, as the court of appeals explained, "[w]hile farmers, like Bowman, may have the right to use commodity seeds as feed, … they cannot 'replicate' Monsanto's patented technology by planting it in the ground to create newly infringing genetic material, seeds, and plants." *Id.*

Although Bowman objects (Pet. 17-18) that the Federal Circuit has effectively eliminated the exhaustion defense for a purchaser of patented seeds, Bowman's exhaustion arguments would effectively eliminate the usefulness of patents in self-replicating technology. In Bowman's view, once a patentee like Monsanto authorizes the sale of an article containing its patented technology, it loses all rights in all subsequent copies of that article containing that same technology. The inevitable result of accepting that argument would be to discourage inventors from devoting resources to inventing self-replicating technology. If the sale of one soybean containing patented traits—which reproduces exponentially—meant that the patentee could not enforce its rights in any of the progeny of that soybean, or the progeny of that progeny, then inventors could not make the business of genetically modified biotechnology commercially viable, for they would quickly be in competition with a multitude of copies of their own products, distributed by persons who had no need to recoup the costs of developing the invention. Thus, as the Federal Circuit correctly recognized, "[t]he 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." Pet. App. 14a (internal quotation marks omitted).

That conclusion is not inconsistent with any decision of this Court, any decision of any other court of appeals, or any other principle of patent law. This Court has not directly addressed the exhaustion doctrine in the context of patents for self-replicating technology, but to the extent the Court has considered intellectual property rights embodied in seed, it has assumed that

patent rights extend to subsequent generations of seed, implicitly recognizing that they are not exhausted by the sale of a preceding generation.[1] In *Asgrow Seed Co.* v. *Winterboer*, 513 U.S. 179 (1995), the Court addressed the authority of growers to make commercial sales of second and subsequent generations of seed protected by a plant patent under the Plant Variety Protect Act ("PVPA"). The Court held that, even though the PVPA specifically allows grower to save second-generation seed generated from first-generation seed sold through an authorized sale, growers were not authorized to make commercial sales of the second and subsequent generations. *Id.* at 182. If (as Bowman suggests) the first authorized sale of a seed exhausts all patent rights as to subsequent generations, then *Asgrow* should have been decided differently. *See also J.E.M. Ag Supply, Inc.* v. *Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 143 (2001) (observing that "there are no exemptions for research or saving seed under a utility patent"). Accordingly, Bowman has identified no basis for further review of the Federal Circuit's decision.

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[1]Bowman notes (Pet. 7) that the Solicitor General observed in a 2005 amicus brief that the question whether the patent-exhaustion doctrine applies to restrictions on copies containing self-replicating technology was "novel." He fails to mention, however, that the Solicitor General also observed in that brief that the Federal Circuit's rejection of an exhaustion claim in *McFarling* was "not inconsistent with any decision of this Court or of a court of appeals," and not worthy of this Court's review. U.S. Br. 14-15 n.8, *McFarling* v. *Monsanto Co.*, 545 U.S. 1189 (May 27, 2005) (No. 04-31), *available at* 2005 WL 1277857.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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