You May Reap What You Sow, but Only Once: How One Farmer’s Alleged Loophole May Alter the Scope of the Doctrine of Exhaustion in *Monsanto v. Bowman*


I. OVERVIEW: I AM MONSANTO, HEAR ME ROAR!

In 2007, St. Louis-based “sustainable agriculture” giant Monsanto Company (Monsanto) showed that alleged patent infringers will always be prosecuted, regardless of their size.¹ Monsanto sued Vernon Bowman (Bowman) of Indiana for infringing two patents relative to its genetically modified Roundup Ready® seed.² Although he considers himself “not even big enough to be called a farmer,” Bowman audaciously proceeded

I. OVERVIEW: I AM MONSANTO, HEAR ME ROAR!

In 2007, St. Louis-based “sustainable agriculture” giant Monsanto Company (Monsanto) showed that alleged patent infringers will always be prosecuted, regardless of their size.¹ Monsanto sued Vernon Bowman (Bowman) of Indiana for infringing two patents relative to its genetically modified Roundup Ready® seed.² Although he considers himself “not even big enough to be called a farmer,” Bowman audaciously proceeded


pro se in front of the United States District Court of the Southern District of Indiana, Terre Haute Division, against the world’s largest seed company.⁵ Although unsuccessful in both the district and appellate courts, Bowman proceeded to assert his defense, filing a petition for a writ of certiorari with the United States Supreme Court.⁶ The Supreme Court granted the writ, despite the Solicitor General’s advice to the contrary, which stemmed in large part from his controversial “loophole” argument relating to the Supreme Court’s long-standing doctrine of exhaustion.⁷

II. LEGAL BACKGROUND: DOUBLE-DIPPING IS NOT ALLOWED

The origin of U.S. patent law is found in the country’s oldest legal document—the Constitution of the United States. Pursuant to the Constitution, the United States Congress is allowed to create laws that grant limited monopolies to authors and inventors who contribute to the fields of “Science and useful Arts.”⁶ Under the Patent Act, a patentee has the exclusive right to make, use, or sell a patented invention or process.⁷ Infringement occurs whenever an individual or corporation, without the authority of the patentee, performs any action exclusively conferred to a patentee during the life of the patent.⁸ However, the scope of patent protection is limited by the 150-year-old, common-law-based affirmative defense known as the doctrine of exhaustion.

Stated simply, the doctrine of exhaustion prevents patentees from double-dipping, or “extracting double recoveries from an invention.”⁹ A patentee retains his patent rights in a particular product embodying the invention until its first sale.¹⁰ After that, the patentee has no right to

---

3. See Pollack, supra note 2 (internal quotation marks omitted).
8. Id. § 271(a).
restrict subsequent sales or control the resale price by bringing a patent infringement suit against a purchaser.\textsuperscript{11}

III. Procedure Posture: But I Thought There Was No Double-Dipping . . .

\textit{Monsanto Co. v. Bowman} began in the United States District Court for the Southern District of Indiana.\textsuperscript{12} In the district court, Monsanto argued that Bowman infringed on two patents related to its genetically modified Roundup Ready® soybeans. The seed company alleged that the Indiana farmer acted in contravention of the Monsanto Technology Agreement (Technology Agreement).\textsuperscript{13} The agreement bars farmers from planting the seeds’ progeny by planting commodity grain that contains the patented trait found in Roundup Ready® seed and subsequently treating the crop with an N-(phosphonomethyl)-glycine-based (glyphosate-based) herbicide.\textsuperscript{14} The district court found that the doctrine of exhaustion was not applicable to Bowman’s second crop plantings, granted Monsanto’s request for summary judgment, awarded Monsanto $30,873.80 plus costs and interest from the date of judgment, and permanently enjoined Bowman from “making, using, selling or offering to sell any of Monsanto’s patented crop technologies.”\textsuperscript{15} On September 21, 2011, the United States Court of Appeals for the Federal Circuit affirmed the district court’s ruling.\textsuperscript{16}

In its fact-intensive inquiry, the Federal Circuit first explained the claims of the two patents allegedly infringed and then shifted to an examination of the terms of the Technology Agreement.\textsuperscript{17} In order to purchase Roundup Ready® seeds, regardless of whether it is directly from the company or one of its licensed producers, a grower must agree to be bound by the Technology Agreement.\textsuperscript{18} Pursuant to the Technology Agreement, a licensed grower is limited “to us[ing] the seed containing Monsanto gene technologies for planting a commercial crop only in a single season” and may not “save any crop produced from [the] seed for replanting.”\textsuperscript{19} Monsanto restricts use of its Roundup Ready® seeds to a

\begin{itemize}
\item \textsuperscript{11}. \textit{Id.} at 247.
\item \textsuperscript{12}. \textit{Monsanto I}, 686 F. Supp. 2d 834, 835 (S.D. Ind. 2009).
\item \textsuperscript{13}. \textit{Id.} at 836.
\item \textsuperscript{14}. \textit{Monsanto Co. v. Bowman (Monsanto II)}, 657 F.3d 1343, 1343 (Fed. Cir. 2011), \textit{cert. granted}, 133 S. Ct. 420 (2012).
\item \textsuperscript{15}. \textit{Monsanto I}, 686 F. Supp. at 840.
\item \textsuperscript{16}. \textit{Monsanto II}, 657 F.3d at 1343.
\item \textsuperscript{17}. \textit{Id.} at 1343-45.
\item \textsuperscript{18}. \textit{Id.} at 1344.
\item \textsuperscript{19}. \textit{Id.} at 1344-45 (internal quotation marks omitted).
\end{itemize}
single commercial crop season because the patented “genetic trait carries forward into each successive seed generation.”20

The Federal Circuit emphasized one noteworthy exception to Monsanto’s Technology Agreement—the sale of second-generation seed to local grain elevators as commodity seeds. By definition, “[c]ommodity seeds are a mixture of undifferentiated seeds harvested from various sources,” which are priced considerably lower than genetically modified seed and are planted during a risky second crop harvest.21 While growers are explicitly forbidden to sell second-generation seed produced from the grower’s first crop to others for planting, Monsanto permits growers to sell the progeny of the Roundup Ready® seeds to local grain elevators absent an express agreement from the grain elevator prohibiting subsequent sales of the progeny seed.22

Bowman, a small Indiana farmer, bought and planted Monsanto’s Roundup Ready® soybeans as his first crop for eight growing seasons.23 Because he purchased the seeds from a Monsanto-licensed producer, Bowman was subject to a restrictive agreement from its producer identical to the Technology Agreement.24 After harvesting his first crop, Bowman decided to plant a second, late-season harvest.25 Because of the risks associated with late-season planting, Bowman purchased commodity seed from a local grain elevator for his second crop planting.26 During this second harvest, Bowman treated his fields with a glyphosate-based herbicide in order to control weeds and to establish whether the commodity grain contained a glyphosate resistance similar to the Roundup Ready® seeds.27 Upon confirming that the second-crop progeny were resistant, Bowman saved a portion of the harvested seed for replanting more second crops in the future.28

Although Bowman’s use was not subject to the Technology Agreement relative to the progeny of his first crop, he violated the express terms of the Technology Agreement by accumulating a stockpile of second-crop progeny that contained characteristics found in Roundup Ready® for subsequent second-crop harvests.29 For the past seven years,

---

20. Id. at 1345.
21. Id.
22. Id.
23. Id.
24. Id.
25. Id.
26. Id.
27. Id. at 1345-46.
28. See id. at 1346-48.
29. Id.
Monsanto has been in litigation with Bowman for patent infringement for exceeding the scope of the Technology Agreement relative to the use of commodity seed.30

Bowman argued that the 299.1 acres that contained the patented Roundup Ready® technology did not violate the Technology Agreement he signed with the Monsanto-licensed producer.31 Bowman claimed that Monsanto’s patent rights were exhausted with respect to the commodity seed.32 Bowman maintained that because the Technology Agreement permits growers to sell second-generation seeds to grain elevators as commodity seed, subsequent sales should serve as exhausting sales that obviate the protection of Monsanto’s patents.33 In support of his claim, Bowman argued that the historic doctrine of exhaustion “is useless” if a grower’s right to use the Roundup Ready® seed “does not include the unlimited right to grow subsequent generations free of liability for patent infringement,” especially because “a seed substantially embodies all later generation seeds.”34

In response, Monsanto simply pointed to its Technology Agreement, which expressly states, “The progeny of licensed seed [can] never be sold for planting.”35 Although the Technology Agreement permits the sale of second-generation seed to local grain elevators as commodity seed, such a sale is unauthorized when it results in the commodity being subsequently replanted.36 In the alternative, Monsanto argued that its first Roundup Ready® technology patents are “independently applicable to each generation of [seed] that contains the patented trait.”37

The Federal Circuit agreed with Monsanto. The court held that while farms have the right to use commodity seeds for a number of purposes, such as for feed, they cannot replicate patent-protected technology by replanting genetically modified seed “to create newly infringing genetic material, seeds, and plants.”38

30. See id.
31. Id. at 1346.
32. Id.
33. Id.
34. Id. at 1346, 1348 (citations omitted) (internal quotation marks omitted).
35. Id. at 1347 (citations omitted) (internal quotation marks omitted).
36. Id.
37. Id. (citations omitted) (internal quotation marks omitted).
38. Id. at 1348.
IV. ORAL ARGUMENTS: ANTICIPATING WHAT IS TO COME

After receiving a petition for a writ of certiorari in December 2011, the Supreme Court invited the Solicitor General on April 2, 2012, to file an amicus curiae brief expressing the views of the United States.\(^{39}\) Although the Solicitor General recommended that the Supreme Court deny the petition for a writ of certiorari, the Supreme Court granted it on October 5, 2012.\(^{40}\)

During oral arguments on February 19, 2013, it was clear that Bowman’s attorney “received a markedly more hostile reception” than Monsanto’s counsel.\(^{41}\) The Justices asked Bowman’s pro bono attorney approximately fifty questions during his oral and rebuttal arguments compared to fewer than thirty for Monsanto’s counsel, who “was allowed to talk uninterrupted for long stretches.”\(^{42}\) For instance, in response to Bowman’s argument that a farmer should be able to use commodity seed as he sees fit, including as a second-crop harvest without Monsanto’s maintaining ownership and control of commodity seed sales, Justice Breyer said that there were a number of things for which farmers could use the seeds, including “mak[ing] tofu turkeys,” but that, nonetheless, patent infringement will not be tolerated.\(^{43}\)

If oral arguments are any indication of the way the Supreme Court will swing, many news and legal observers expect a decision in favor of Monsanto.\(^{44}\) In fact, some suggest that a 9-0 opinion, with a concurrence, is not unrealistic.\(^{45}\) Chief Justice Roberts posed the most
pognant, yet straightforward, question, “Why in the world would anybody spend any money to try to improve the seed if as soon as they sold the first one anybody could grow more and have as many of those seeds as they want?”

This is the question the Supreme Court must decide, and as Justice Breyer stated, there are two things a farmer possessing commodity seed cannot do: “One, [he] can’t pick up those seeds that [he’s] just bought and throw them in a child’s face[,] and two, he] cannot make copies of a patented invention.”

V. ANALYSIS: THIS IS ABOUT MORE THAN JUST SOME SEEDS

The Supreme Court’s anticipated June 2013 decision will not simply affect a small-time farmer and a $56-billion company. The impending opinion will have huge impacts on the future of genetically modified crops as well as other self-replicating technologies in areas such as medical research and software. While the doctrine of exhaustion was applied differently by each side, it will take center stage in the Supreme Court’s impending opinion.

During oral arguments, Monsanto focused on the most compelling and resonating argument—the policy objectives of patent law. As Assistant Solicitor General Melissa Arbus Sherry stated during oral arguments: “In order to encourage investment, the Patent Act provides 20 years of exclusivity. [Allowing Bowman’s argument to prevail] would be reducing the 20-year term to essentially one and only [sic] sale.”

If the Court accepts Bowman’s doctrine-of-exhaustion defense, the patent rights of self-replicating technology would be eviscerated. Bowman, conversely, argued that the Court cannot limit the scope of the doctrine of exhaustion by creating exceptions to its application. Because the Supreme Court has never considered applying the doctrine of exhaustion to self-replicating technologies, any changes would substantially modify the application of the doctrine, which is “something that ought to be done in Congress.”

In the upcoming months, the nine Supreme Court Justices will deliberate and decide the fate of the 150-year-old doctrine of exhaustion. Will it stand unaltered or will an exception be made, which may alter the

47. Id. at 11 ll. 6-7, 10.
49. See Transcript of Oral Argument, supra note 42, at 27 (discussing patents encouraging investments).
50. Id. at 27 ll. 8-11.
51. Id. at 12 l. 25, 13 ll. 1-3.
course that medical and technology companies will take in the future? Only time will tell. Until then, the only option patent litigators and holders have is to hold their breath in anticipation of the Supreme Court’s opinion.†

Brooke M. Bacuetes*

† In a predicted 9-0 decision affirming the Federal Circuit, the United States Supreme Court held that the doctrine of patent exhaustion does not permit a farmer who purchased patented seeds to reproduce them, using uniquely calculated planting and harvesting techniques, without the express or implied consent of the patent holder. Bowman v. Monsanto Co., 133 S. Ct. 1761 (2013). The Court, focusing on the legal ramifications of abolishing a two hundred year-old legal doctrine, found fault with Mr. Bowman’s argument. Id. at 1768. Bowman had argued that allowing a patentee to control the use of a patented product after reaping its reward pursuant to an authorized sale would be an action in direct contravention to the doctrine of exhaustion. Id. Justice Kagan, delivering the opinion for the Court, opined that Mr. Bowman himself was actually “asking for an unprecedented exception” because the doctrine clearly precludes an owner from making a new product. Id. The opinion underscored that if the doctrine permitted Mr. Bowman to continue his venture, the ripple effect would be disastrous to the biotechnology industry. A grower would only need to make one initial purchase which in itself could be multiplied “ad infinitum” at a profit for the grower but with no compensation to its inventor. Id. at 1767. The Court concluded by noting that the scope of its opinion is limited to the present facts. It acknowledged that because “self-replicating inventions…are becoming ever more prevalent, complex, and diverse,” it would be imprudent to publish an all-encompassing opinion which defines how the doctrine would apply to at-present hypothetical circumstances. Id. at 1769. The Court did as many legal commentators expected, they looked at the laws and applied it to the particular facts at hand.

* © 2013 Brooke M. Bacuetes. J.D. candidate 2014, Tulane University School of Law; B.A. cum laude 2008, American Politics and Policy, Tulane University. The author would like to thank her parents and friends, especially Patrik Sefeldt, for their love, support, and encouragement. Many thanks as well to the editors and staff of Volume 16 for all their hard work and dedication.