ARE Patent Law Alert:
Unanimous U.S. Supreme Court Decision on Patent Exhaustion Upholds Patenteeâ€™s Rights in Case Regarding Patented Self-Replicating Technologies

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On May 13, 2013, the Supreme Court of the United States issued a unanimous decision in *Bowman v. Monsanto Co*., No. 11-796, holding that the doctrine of patent exhaustion does not permit a farmer to reproduce patented seeds by planting and harvesting them without the patent holder's permission. The Court, in an opinion written by Justice Kagan, upheld a lower court award of damages to Monsanto in the first Supreme Court ruling concerning the proper application of the patent exhaustion doctrine to self-replicating technologies. Although the ruling was expressly limited to the factual situation before the Court, the opinion suggests the Court might rule similarly in other cases where the patented item's self-replication is within the purchaser's control.

Factual Background

This case specifically concerns Monsanto's Roundup Ready soybean seeds, which are genetically engineered to be resistant to its Roundup brand of herbicide. Monsanto sells the seeds subject to a licensing agreement that permits farmers to plant the purchased seeds only once. However, rather than buy seeds directly from Monsanto each time he planted a crop, Indiana farmer Vernon Bowman replanted seeds harvested from previous crops of Monsanto Roundup Ready seeds. These seeds retained their genetically-engineered herbicide resistance. When Monsanto sued Bowman for patent infringement, Bowman raised the defense of patent exhaustion.

The Exhaustion Doctrine

Patent exhaustion gives a purchaser or subsequent owner of a patented item the right to use or resell that item without having to pay the patentee anything more for that right. In other words, the initial authorized sale of a patented item terminates all patent rights in that item. *Bowman* raised the broader question of how to apply the doctrine of patent exhaustion when the patented item is self-replicating. Here, the patented seeds that grow into plants that generate more patented seeds.

Analysis

A unanimous Supreme Court held that the patent exhaustion doctrine applies only to the particular item sold, here, the first crop. By replanting Monsanto's patented seeds, Bowman "made" additional copies of Monsanto's patented invention, i.e., the subsequent crops. The Patent Law provides that "making" a patented invention is an act of infringement. Here, the new seeds that are made as a result of Bowman's acts are the new act of infringement. Moreover, the Court held, these second-generation replicated copies of Monsanto's seeds themselves were never sold to Bowman, and thus fell outside the doctrine of patent exhaustion.

Bowman is remarkable for the brevity and clarity with which these potentially complex issues were analyzed. Although the decision is limited to the facts of the case, it suggests that the doctrine of patent exhaustion does not allow consumers the right to make new patented products even when the product lends itself to replication, so long as the product's self-replication is within the consumer's control. This ruling will therefore be studied not just by manufacturers of genetically modified seeds, but also by creators of vaccines, medical research products and other self-replicating technologies who may wish to retain the ability to restrict a consumer's use of their patented products even after they have been sold.

We will continue to monitor and report on patent exhaustion cases, and encourage you to review the publications and events page of our firm website for more information. Also, please feel free to contact one of our firm's attorneys to learn more.

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