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No. 11-796

In the
Supreme Court of the United States

VERNON HUGH BOWMAN,

Petitioner,

v.

MONSANTO COMPANY ET AL.,

Respondent.

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

BRIEF OF THE PUBLIC PATENT FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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INTEREST OF THE *AMICUS CURIAE*[1]

The Public Patent Foundation ("PUBPAT") is a not-for-profit legal services organization affiliated with the Benjamin N. Cardozo School of Law. PUBPAT's mission is to protect freedom in patent system. PUBPAT represents the public interest against undeserved patents and unsound patent policy. PUBPAT has argued for sound patent policy before this Court, various Courts of Appeals and District Courts, Congress, the U.S. Patent & Trademark Office (PTO), and many other national and international bodies. PUBPAT is a leading provider of public service patent legal services and one of the loudest voices advocating for comprehensive patent reform.

PUBPAT has an interest in this matter because the decision of this Court will have a significant effect on the public interest PUBPAT represents. Specifically, PUBPAT seeks to ensure that freedom and free markets are not unduly constrained by patentees who attempt to exert control beyond the scope of their patent rights. The Court of Appeals' decision below created an exemption from patent exhaustion for self-replicating technologies that departs from the established law of this Court and sound patent policy. PUBPAT believes this brief, authored by a registered patent attorney and

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[1] In accordance with Supreme Court Rule 37.6, *Amicus Curiae* states that: (1) no counsel to a party authored this brief, in whole or in part; and (2) no person or entity, other than amicus, their members and counsel have made a monetary contribution to the preparation or submission of this brief.

professor of patent law, provides the Court with relevant legal and factual information that may not otherwise be brought to its attention.

SUMMARY OF ARGUMENT

The doctrine of exhaustion provides a necessary limit on the ability of patentees to pervert markets beyond the scope of their patents. Sophisticated patent owners like Monsanto can be expected to take limits on their patent rights, including exhaustion, into account when designing their business models. Monsanto's attempt to contract around exhaustion is impotent and not legally sustainable. Patent rights are not recreated anew upon the production of new seed from purchased seed in which Monsanto's patent rights were exhausted upon the authorized sale.

ARGUMENT

I. IF PROGENY SEED ARE EXCEPTED FROM EXHAUSTION, THEN CONTAMINATED FARMERS ARE INFRINGERS

Despite the popularity of Monsanto's seed, there are tens of thousands of organic and conventional growers who seek to farm exclusively with seed that is free of genetic modification. These farmers neither purchase Monsanto seed nor wish to grow it. Yet they are at risk for inadvertent infringement in light of the Circuit's broad ruling.

Monsanto's genetically modified, or transgenic, seed can contaminate non-transgenic seed in numerous ways. Transgenic seed finds its way into conventional seed at every stage of the production process including through seed drift and scatter,

cross-pollination, commingling during harvest and post-harvest activities, processing, transportation, and storage. *See, e.g., Organic Seed Growers and Trade Ass'n v. Monsanto Co.*, 851 F. Supp. 2d 544, 548 (S.D.N.Y. 2012). As a result, organic and conventional growers may unintentionally plant and grow Monsanto's patented seed without knowledge unless and until they test their crop.

The Federal Circuit's ruling would not exclude contaminated organic and conventional farmers from a finding of infringement. The decision was not limited to growers who intentionally grow transgenic seed and/or spray glyphosate on their crop. Instead, the Circuit found that as long as there is a use for seed other than planting, patent rights in its progeny are protected: "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." *Monsanto Co. v. Bowman*, 657 F.3d 1341, 1348 (Fed. Cir. 2011) (citing *Quanta Computer, Inc. v. LG Electronics, Inc.,* 553 U.S. 617, 631 (2008)).

The court continued that commodity seed could be used "as feed, or for any other conceivable use." *Id*. This statement could apply to virtually any seed. The Circuit's finding that planting seeds is "making" them for purposes of infringement makes a patent infringer out of any organic or conventional farmer whose land is contaminated with Monsanto's genetically modified seed.

Monsanto claims not to prosecute farmers who inadvertently grow trace amounts of seed,[2] but that claim does not save the Circuit ruling. First, Monsanto's "Commitment" is not legally enforceable and is subject to change without notice. Second and more importantly, even if it were true that Monsanto would never enforce its patents against unintentional infringers, it isn't legal for them to do so. Monsanto is legally restrained from accusing of infringement organic and conventional farmers who suffer the misfortune of contamination with Monsanto's seed. The Federal Circuit finding that growing seed is "making" a new infringing article thus must not stand.

II. THE CIRCUIT'S THEORY INDICATES THAT MONSANTO'S CUSTOMERS ROUTINELY MAKE AND SELL NEW INFRINGING ARTICLES

Upon close scrutiny, it is evident that the Federal Circuit's rationale for exhaustion contradicts itself. The Circuit held that the progeny of seed purchased in an authorized sale is a newly infringing article: "[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." *Monsanto Co. v. Bowman*, 657 F.3d 1341, 1348 (Fed. Cir. 2011). It cited *Jazz Photo* for the proposition that the right to use "does not include the right to construct an essentially new article on the template of the original, for the right to make the

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[2] *See* "Monsanto's Commitment: Farmers and Patents," http://www.monsanto.com/newsviews/Pages/commitment-farmers-patents.aspx (last visited December 4, 2012).

article remains with the patentee." *Id.* (citing *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1102 (Fed. Cir. 2001)). It found that, even if the seed sale to the grain elevator was authorized, Bowman's action of growing commodity seed was "making" Monsanto's patented technology for purposes of infringement. *Id.*

If the Circuit's theory on infringement is correct, and planting soybeans constitutes "making" a new infringing article, then the theory should make sense when applied to other authorized soybean sales. When an authorized grower of Monsanto soybeans sells his crop ultimately to be consumed as edamame in a sushi restaurant or processed into soybean oil or tofu, he is selling the very item that Monsanto patented.[3] What's more, he is, to use the Circuit's own words, selling a "newly infringing" article rather than the one he purchased. And in order to have the soybeans to sell, that grower had to, according to the Circuit, "make" that newly infringing article.

Of course if Monsanto viewed a grower's sale of second-generation soybeans as sale of a newly infringing article and wanted to authorize such sales, it could license its growers to sell the next-generation goods. It did not. Instead, the only explicit rights the grower receives in the Technology Agreement are an "[o]pportunity to purchase and

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[3] Biologically speaking, beans are seeds. Thus in the case of a crop like soybeans, the part of the plant that is harvested not only contains patented glyphosate-tolerant cells; it is the same part that could be used to plant a subsequent generation of plants comprising glyphosate-tolerant plant cells. *See Monsanto Co. v. Bowman*, 657 F.3d 1341, 1344 (Fed. Cir. 2011).

plant" Monsanto seed and an "[o]pportunity to participate in the Technology Value Package." See http://www.scribd.com/doc/115842666. While the Technology Agreement included express contractual restrictions on a grower's use or supply of seed for replanting, it did not expressly authorize sale of next-generation crop or even sale of next-generation seed to grain elevators.

But, it didn't need to include such permission, as the first-generation seeds it sold the growers fully embodied the patent, and thus the patent rights in the generations which resulted from its use were exhausted by the authorized sale of the seeds from which they grew. *See Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 630 (2008) (invoking "the longstanding principle that, when a patented item is once lawfully made and sold, there is no restriction on its *use* to be implied for the benefit of the patentee." (emphasis original, internal citations omitted)).

Monsanto's actions confirm that patent rights in seed progeny were exhausted upon first-generation seed sale to growers: despite not extending a license to growers for crop sales, Monsanto does not condemn the sale of next-generation soybeans as infringement. To the contrary, Monsanto's business depends on authorized growers making and selling the next-generation products of its bagged seed. Its Technology Agreement even directs growers to plant the seed they purchase in a "commercial" crop. *Monsanto Co. v. Bowman*, 657 F.3d 1341, 1344 (Fed. Cir. 2011). Further, Monsanto stated in its opposition to the petition for certiorari, "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." Brief in Opposition, *Bowman v. Monsanto Co.* (No. 11-796) , 2011 U.S. Briefs 796, at *2, 2012 U.S. S. Ct. Briefs LEXIS 913, at **4 (Feb. 27, 2012).

The Circuit agreed with Monsanto that while making and selling second-generation seed, a supposed "newly infringing article," is permissible for authorized Monsanto growers who lack a license to sell, using second-generation seed as described in the patent is impermissible for anyone. The Federal Circuit's ruling amounts to an announcement that, despite the Federal Circuit's interpretation of *Jazz Photo*, one can make and sell newly infringing seed without a patent license as long as one doesn't plant it. Such a distinction between the activities that promote Monsanto's business model and those that warrant an infringement lawsuit reflects at best confusion between contract violation and patent infringement.[4] At worst, the distinction reflects a holding that although "infringement" that supports Monsanto's business is acceptable, "infringement" from which Monsanto does not profit is unacceptable.

The internal contradiction in the Circuit's ruling demonstrates that the true and logical legal end to Monsanto's patent rights in its seed is at the point of

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[4] The Federal Circuit may also have confused license of a product, in which the patentee retains patent rights, with license of a patent. Per the terms of the Technology Agreement, Monsanto purports to license its patents in conjunction with the sale of its seeds to authorized growers. But that purported patent license does not change the fact that the sale exhausts patent rights in the seeds.

any authorized sale, including sale of first-generation seed to a grower. This is why growers don't need an express license to sell second-generation seed. Even if an authorized grower bought seed and then sold its progeny for planting to another in violation of the Technology Agreement, the second, unauthorized sale would not violate Monsanto's patent rights[5], as sale and use of products born from use of first-generation seeds sold in an authorized sale do not constitute infringement under binding case law. *See United States v. Univis Lens Co.*, 316 U.S. 241 (1942); *Quanta Computer, Inc. v. LG Electronics, Inc.,* 553 U.S. 617 (2008).

CONCLUSION

For the foregoing reasons, this Court should reverse the Court of Appeals' decision below and hold that the authorized sale of an item embodying self-replicating technology exhausts patent rights in that item and the products of its use.

Respectfully submitted,

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[5] Of course Monsanto would be entitled to remedies for any contract violation from any party with whom it had contracted.