

No. 11-796

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IN THE  
**Supreme Court of the United States**

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VERNON HUGH BOWMAN,

*Petitioner,*

*v.*

MONSANTO COMPANY, *et al.*,

*Respondents.*

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

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**REPLY BRIEF**

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**ARGUMENT**

According to Monsanto and contrary to 150 years of patent-exhaustion decisions from this Court, authorized sales of Roundup Ready® seeds do not exhaust patent rights in those seeds. Under Monsanto's rule, farmers never really own the seeds they buy and tend, although they assume all risks associated with the business of farming, including the risk that the seeds they plant may never produce a viable crop. And under Monsanto's rule, even though Monsanto expressly authorizes farmers to sell progeny seeds to grain elevators without imposing any restrictions on the elevators, Monsanto can still control the use of those seeds by those who buy them from the elevators in unrestricted sales. Monsanto's rule not only conflicts with the patent-exhaustion principles laid down by this Court, it also threatens the free flow of commerce in products having an ability to reproduce, such as soybean seeds. According to Monsanto, once a patentee chooses, as Monsanto did here, to release its invention into the stream of commerce by authorized sales of seeds embodying the invention, no buyer can obtain clear title. Although seeds purchased in unrestricted sales have the ability to reproduce for generations, Monsanto maintains that it may freely demand repeated payments for uses over those several generations.

Due to Monsanto's distribution model—which encouraged the commingling of progeny seeds with seeds lacking the patented trait to the point where grain elevators now contain relatively few seeds lacking the patented trait—Monsanto's rule would effectively eliminate a farmer's ability to buy less-expensive seeds. Fortunately, patent exhaustion thwarts Monsanto's

attempt to achieve this unwarranted extension of the patent monopoly.

If Monsanto wants to control use of the invention in the hands of purchasers down the distribution chain, contract law provides the proper mechanism. Post-sale restrictions should be enforceable only in instances of genuine agreement and be subject to antitrust scrutiny. Monsanto's rule should be rejected because it is contrary to the law and unsupported by sound policy.

**I. AN AUTHORIZED SALE OF THE INVENTION TRIGGERS EXHAUSTION, INCLUDING A RIGHT TO USE THE ARTICLE SOLD “FOR THE ORDINARY PURSUITS OF LIFE”**

Monsanto all but abandons the infringement theory it advanced before the district court, i.e., that Bowman allegedly infringed by *planting* seeds that he purchased from a grain elevator. JA14a. Instead, Monsanto chooses to focus on the seeds *grown* by Bowman. *See* Resp'ts' Br. 14–28. By shifting its infringement theory, Monsanto tries to avoid the central issue, which is whether a purchaser who buys a patented seed “for the purpose of using it in the ordinary pursuits of life” should be permitted to use that seed for planting by virtue of the fact that the seed has become “his private, individual property, not protected by the [patent] laws of the United States.” *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549–50 (1853).

Monsanto does not fundamentally disagree with the notion that the initial authorized sale of a patented item terminates all patent rights to that item. *See* Resp'ts' Br. 15–16 (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*,

553 U.S. 617, 625 (2008)). Indeed, Monsanto states that “[p]atent exhaustion, where it properly applies, allows the purchaser of an article embodying an invention to use and resell that particular article.” Resp’ts’ Br. 15 (emphasis omitted). That statement comports with the proposition that “when the patentee, or the 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.” *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456 (1873). But Monsanto’s principal argument negates patent exhaustion by creating a broad exception for self-replicating technologies. *See* Resp’ts’ Br. 15–28.

For example, Monsanto asserts that patent exhaustion should “appl[y] only to the specific article that was sold in an authorized sale” and not to any progeny produced as the result of that article’s lawful use. Resp’ts’ Br. 15–16. But no case cited by Monsanto for this proposition involved the use of self-replicating inventions, and each case should be read for the proposition that Monsanto ignores: exhaustion provides an absolute right to *use* the article sold free of any infringement claims. *See, e.g., Quanta*, 553 U.S. at 630. In *Quanta*, this Court reiterated “the longstanding principle that, when a patented item is ‘once lawfully made and sold, there is no restriction on [the item’s] *use* to be implied for the benefit of the patentee.” *Id.* (quoting *Adams*, 84 U.S. at 457). Additionally, in *United States v. Univis Lens Co.*, 316 U.S. 241, 249 (1942), this Court explained that “[a]n incident to the purchase of any article, whether patented or unpatented, is the right to use and sell it.” Moreover, in *United States v. General Electric Co.*, 272 U.S. 476, 489 (1926), this Court held “that where a patentee makes the patented article and sells it, he can exercise no future

control over what the purchaser may wish to do with the article after his purchase.” Accordingly, this Court’s exhaustion doctrine confers on a purchaser the absolute right to *use* the article sold free of any infringement claims.

“The right to use is a comprehensive term and embraces within its meaning *the right to put into service any given invention.*” *Bauer & Cie. v. O’Donnell*, 229 U.S. 1, 10–11 (1913) (emphasis added). Under this principle, Monsanto has the priority of “make” over “use” backwards.

Under Monsanto’s view, the purchaser of patented seeds lacks the very right to use the invention for an ordinary purpose—planting. That is no patent-exhaustion doctrine at all. It is “an end-run around exhaustion” like that advanced by the patentee in *Quanta* for method claims. *See* 553 U.S. at 630. In *Quanta*, this Court rejected the “argument that method claims, as a category, are never exhaustible.” *Id.* It should do the same here with Monsanto’s argument that exhaustion never applies to self-replicating products.

As the Government notes, this Court in *Quanta* “repeatedly describe[d] the patent-exhaustion doctrine in terms that leave little room for enforcement through patent law of post-sale restrictions on use or resale.” U.S. Br. 31. Monsanto contends this ignores “important aspects” of the facts there that differ from the facts here. Resp’ts’ Br. 43. In particular, Monsanto maintains that Intel’s sales of microprocessors and chipsets to *Quanta* were authorized, whereas farmers were not authorized to sell progeny seeds to grain elevators for planting purposes. *Id.*

But Monsanto admits that farmers had rights under the applicable Technology Agreements to sell progeny seeds to grain elevators, noting that those agreements “authorize[] farmers to use Roundup Ready® seeds to grow a ‘single commercial crop’ that will also contain the patented gene technology.” Resp’ts’ Br. 4 (quoting JA29a). According to Monsanto, “A farmer is therefore authorized *to sell the crop* he grows from Roundup Ready® seeds for consumption *through customary commercial channels*—to an agricultural processor, for example, or to a grain elevator that in turn resells harvested crops to processors.” *Id.* (emphasis added).

While Monsanto’s Technology Agreements impose a post-sale “single commercial crop” use restriction on first-generation seeds, they also expressly authorize sales of that crop’s progeny as commodity seeds. Much of Monsanto’s briefing addresses the post-sale use restriction on first-generation seeds. But Monsanto overlooks its express authorization for farmers to sell progeny seeds through customary channels.

Thus, grain elevators purchased authorized, i.e., noninfringing, seeds. And those elevators were authorized to sell those seeds to the public in unrestricted sales. JA133a; JA138a; PA8a; *see also* A0284–85; A0288–91; A0292–95; A0494. Consequently, those products passed outside the patent monopoly. *See McQuewan*, 55 U.S. at 549. Monsanto could not sue its farmers-sellers for patent infringement because their sales of progeny seeds to grain elevators were authorized. Likewise, subsequent sales of progeny seeds to Bowman did not give Monsanto a retroactive cause of action for patent infringement against the grain elevators or the farmers-sellers.

In *Quanta*, this Court decided that patent exhaustion applied to both product claims and method claims even though *Quanta* only purchased components used to construct the claimed computer system. 553 U.S. at 628–30, 638. It reasoned that sales of the components triggered exhaustion because the components “substantially embody the patents in suit.” *Id.* at 621. Similarly, sales of the seeds at issue here should trigger exhaustion because they completely embody Monsanto’s patent claims on seeds, and the seeds “substantially embody” the plants that grow from them as well as the seeds produced by those plants. Monsanto has asserted claims covering a “plant cell,” a “plant,” and a “seed of the plant.” *See, e.g.*, JA55a–58a; JA62a–63a; SA19 col. 165 ll. 15–17; SA19 col. 165 ll. 18–20; SA19 col. 165 ll. 30–32. Since seeds self-replicate, subsequent generations are embodied in previous generations according to this Court’s reasoning in *Quanta*. Further, like the patentee in *Quanta*, Monsanto has asserted a method claim, i.e., claim 130, which specifies “planting” a seed or plant containing the glyphosate-resistant trait and then “applying” glyphosate to control weeds. SA19 col. 165 l. 49–col. 166 l. 5. Under *Quanta*, the authorized sale of seeds embodying this method exhausts the method claim as well as the asserted product claims.

According to Monsanto, farmers plant patented seeds and sell their progeny to grain elevators as a matter of grace not right. But this Court’s case law provides no support for Monsanto’s version of patent exhaustion. As this Court explained in *Quanta*, “For over 150 years this Court has applied the doctrine of patent exhaustion to *limit* the patent rights that survive the initial authorized sale of a patented item.” 553 U.S. at 621 (emphasis added).

Accordingly, it makes no difference how broadly Monsanto interprets the exclusive right to “make” the invention; where that right is inseparable from ordinary “use,” the patent law must be strictly construed in a manner that preserves a purchaser’s right to use the invention. *See id.* This Court has explained that when a patented article “passes to the hands of the purchaser,” it “passes outside” the scope of the patentee’s rights and “is no longer under the protection of the act of Congress.” *McQuewan*, 55 U.S. at 549.

The patent-exhaustion doctrine represents a reasonable application of ordinary personal-property principles to patented articles that comports with the statutory scheme. *See* 35 U.S.C. § 261. “Under the exhaustion doctrine, when a patent owner sells a patented article to [] customer[s], . . . [p]roperty law, rather than patent law, then governs customers’ use of such property.” Richard H. Stern, *The Unobserved Demise of the Exhaustion Doctrine in U.S. Patent Law: Mallinckrodt v. Medipart*, 15 Eur. Intell. Prop. Rev. 460, 460 (1993). Indeed, this Court has recognized that under the exhaustion doctrine, the purchaser “becomes possessed of an absolute property in such articles.” *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895). This Court has held that once exhaustion applies, the patented article becomes the “private individual property of the purchaser.” *Chaffee v. Boston Belting Co.*, 63 U.S. (22 How.) 217, 223 (1859).

This Court’s cases dealing with “repair” and “reconstruction” do not hold otherwise. *See, e.g., Am. Cotton-Tie Co. v. Simmons*, 106 U.S. 89 (1882). These cases simply attempt to draw a line between “repair” and

“reconstruction” in situations where the patented article has become worn to a point that ordinary use is no longer possible. *See id.* at 94.

Monsanto incorrectly contends that this Court in *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), addressed an issue “similar” to patent exhaustion by “conclud[ing] that identical copies of software must be treated as separate components from the master disk . . . even though the only use of the master disk was to create such copies.” Resp’ts’ Br. 18. But *Microsoft* has no relevance to the issue here. *Microsoft* addressed whether the master disk or the copies were “components” under 35 U.S.C. § 271(f) of computers assembled abroad. 550 U.S. at 441–42.

This Court should reject Monsanto’s invitation to restrict the right to “use” an invention by expanding the right to “make” the invention and preventing standard farming practices, i.e., planting seeds and propagating successive generations. Resp’ts’ Br. 23. “[A]s long as agriculture has existed, farmers have assumed the universal right to save, replant, and exchange seed from their harvests.” Michael Mascarenhas & Lawrence Busch, *Seeds of Change: Intellectual Property Rights, Genetically Modified Soybeans and Seed Saving in the United States*, 46 Eur. Soc’y for Rural Soc. 122, 122 (2006) (discussing traditional seed-saving practices).

Monsanto seeks to abolish that “universal right” by expanding the patent monopoly, maintaining that Bowman “made” *the invention* because growing soybean seeds “required substantial, and sustained, human effort,” including planting “in suitable soil, at the correct depth,



and in the correct manner, at a time suitable for planting.” Resp’ts’ Br. 23. But these actions constitute the very *uses* intended by Monsanto’s patents to obtain the full benefit of the inventions, i.e., glyphosate resistance in the resulting plants and seeds. Exhaustion makes those uses available to those who purchased patented seeds in authorized sales. Thus, exhaustion allows farmers to exercise their “universal right” to save seeds and plant their saved seeds free of any claims of patent infringement.

The Government’s attempt to focus on the right to “make” rather than the right to “use” rests in part on Congress’s passage of an exception to copyright infringement for computer software called the “essential step defense.” U.S. Br. 16–17; *see* 17 U.S.C. § 117(a). But copyright law required that exception because the statute codifies the common-law first-sale doctrine in a limited way that affects the distribution right rather than the reproduction right. *See* 17 U.S.C. § 109(a) (limiting application to the right of distribution under 17 U.S.C. § 106(3)). Unlike the exclusive rights granted by the Patent Act, the Copyright Act confers no exclusive right to “use.” *Compare* 35 U.S.C. § 154(a), *with* 17 U.S.C. § 106(1)–(6). In other words, copyright’s first-sale doctrine does not bestow rights on a purchaser to use copyrighted works in the same way that the patent-exhaustion doctrine does for purchasers of patented articles.

The Government argues that “Congress has effectively extended copyright exhaustion principles to the creation, under specified circumstances, of subsequent generations of technology.” U.S. Br. 16. But Congress actually did something quite different by enacting the essential-step defense for software—it limited the protection afforded

by the Copyright Act to vouchsafe the public's right to *use* software for its ordinary purpose. The common law already did that for patented articles subject to an authorized sale. *See Adams*, 84 U.S. at 455–56.

## **II. THIS COURT SHOULD REJECT MONSANTO'S ATTEMPT TO RETAIN PATENT RIGHTS TO CONTROL POST-SALE USE AND DISPOSITION OF SEEDS**

By mischaracterizing the sale of progeny seeds as restricted, Monsanto attempts to defend the Federal Circuit's conditional-sale doctrine by arguing that this Court's decisions do not establish a "per se rule against enforcing reasonable conditions following a sale" under patent law and that "the Court has made clear that a patentee may commercialize its invention by authorizing certain use rights and not others, even when there has been a sale of the article embodying the invention." Resp'ts' Br. 37–38. But Monsanto misreads this Court's exhaustion decisions. *See* Pet'r's Br. 22–26. As the Government explained, "[T]his Court's decisions make clear that patent exhaustion applies despite explicit restrictions imposed by the patentee, as long as there has been an authorized sale of the patented item." U.S. Br. 30.

Monsanto claims that the distinction between a license and a sale is "incorrectly formalistic." Resp'ts' Br. 35 n.21. But several of this Court's exhaustion cases turn on whether the transaction at issue was a sale or a license. *See, e.g., Univis Lens*, 316 U.S. at 252; *Gen. Elec.*, 272 U.S. at 488–90. If the distinction between a license and a sale were "incorrectly formalistic" as Monsanto suggests, these cases would have been decided differently.

Monsanto misreads *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544 (1873), to find support for a conditional-sale exception to patent exhaustion. See Resp'ts' Br. 40. But the absence of an authorized sale in *Mitchell* determined the outcome. 83 U.S. at 551. Monsanto's arguments to the contrary are wrong. See Resp'ts' Br. 39 n.23. In *Mitchell*, this Court emphasized that Bayley, the licensee who purported to "sell" the machines to Mitchell, "was only a licensee and *never had any power to sell* a machine so as to withdraw it indefinitely from the operation of the franchise secured by the patent." 83 U.S. at 551 (emphasis added).

Monsanto similarly misreads *General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175 (1938), concluding that it and *Mitchell* stand for the proposition that "a patentee may limit its licensees' rights to use its invention, and that those restrictions are not *per se* unenforceable merely because the licensee subsequently sells an article embodying that invention to a third party." Resp'ts' Br. 34. Like *Mitchell*, *General Talking Pictures* involved an unauthorized sale. 304 U.S. at 180. That makes both cases distinguishable from the facts here. Moreover, neither case supports Monsanto's argument that a patentee can enforce post-sale conditions through infringement suits.

Monsanto's misreading of this Court's exhaustion decisions to find support for a conditional-sale doctrine parallels the Federal Circuit's approach in *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992). Like the Federal Circuit in *Mallinckrodt*, Monsanto points to statements in *Mitchell* concerning sales "without any conditions," 83 U.S. at 548, as evidence that this Court's exhaustion decisions permit a patentee to employ patent

law to control use or distribution of patented articles even after an authorized sale. *Mallinckrodt*, 976 F.2d at 707; Resp'ts' Br. 38. But this reading conflicts with the holding in *Mitchell*, which turned on the fact that there was no authorized sale. 83 U.S. at 551.

In any event, Monsanto's position that patent exhaustion does not apply to conditional sales does not extend to the downstream sales at issue here. With its Technology Agreements, Monsanto authorizes farmers to sell the progeny of first-generation seeds to grain elevators in *unrestricted* sales, and grain elevators are authorized to sell those seeds to the public in *unrestricted* sales. JA133a; JA138a; PA8a.

Monsanto argues that the sale of commodity seeds to Bowman was somehow illegal under state laws regulating seed labeling. Resp'ts' Br. 6. Several amici make similar arguments. *See, e.g.*, Wis. Alumni Research Found. (WARF) Br. 29; Pioneer Hi-Bred Int'l Br. 2–3, 10–11. These arguments lack merit. First, those laws were intended to protect seed purchasers, not to restrict their right to buy and use seeds. Second, the commodity seeds at issue here were not packaged and labeled for sale in violation of any state or federal law. A0355–56. Indeed, the record indicates that, while limited to risky plantings, farmers have for generations used commodity seeds for planting. JA153a–54a.

Monsanto misleadingly quotes Bowman as saying “[t]hat’s illegal,” suggesting that he meant his purchases from grain elevators. Resp'ts' Br. 6. Instead, he simply noted that various laws prohibit grain elevators from packaging and labeling seeds for planting purposes. A0355–56. That did not happen here.

Monsanto argues that “the Court has rendered conditions following a sale unenforceable in only two circumstances: resale price restrictions and tying.” Resp’ts’ Br. 41. But excluding patent exhaustion from the realm of conditional sales except for those involving resale-price restrictions and tying arrangements would seriously impair its utility since the exhaustion doctrine serves as an important limitation on patent rights. As the district court in *Mallinckrodt* observed, “[T]here is a strong public interest in not stretching the patent laws to authorize restrictions on the use of purchased goods.” *Mallinckrodt, Inc. v. Medipart, Inc.*, No. 89-C-4524, 1990 WL 19535, at \*7 (N.D. Ill. Feb. 16, 1990), *rev’d*, 976 F.2d 700 (Fed. Cir. 1992). That court also correctly observed that patent exhaustion “rests on a pragmatic judgment that, in general, people both expect and should be able to use the goods they purchase without restraints from merchants and manufacturers” and that “the interest in preventing restraints on use is stronger than the opposing interest in permitting a patent owner to use his monopoly to increase sales of his invention.” *Id.* at \*8.

Monsanto cites *United States v. Masonite Corp.*, 316 U.S. 265 (1942), to support the assertion that the test for exhaustion is whether “it may fairly be said that the patentee has received his reward for the use of the article.” Resp’ts’ Br. 44. But Monsanto misplaces its reliance on *Masonite*. There, this Court did not address the amount of the reward but simply noted that whatever form the transaction took, the determinative factor for invoking exhaustion was that the patentee received consideration. 316 U.S. at 278–80. Here, Monsanto received consideration through its Technology Agreements, its sales of first-generation seeds, and royalties from its licensees. In exchange for that reward, farmers received, among

other things, the right to sell progeny seeds to grain elevators without having to impose any restrictions on the elevators' use or resale of those seeds. While Monsanto notes that grain elevators are "an unlikely source of crop seed," Resp'ts' Br. 6 n.6, Monsanto does not dispute that Bowman purchased commodity seeds in authorized, i.e., noninfringing, sales.

### **III. MONSANTO SHOULD NOT BE PERMITTED TO SUPPRESS A CHEAPER, NONINFRINGEMENT SOURCE OF SEED**

Applying patent exhaustion here would prevent another evil, namely, the suppression of cheaper sources of noninfringing seeds and forcing farmers to satisfy their seed requirements with patented seeds, regardless whether they actually want the patented technology. Because Monsanto freely permits farmers to sell progeny seeds to grain elevators without imposing any restrictions on the elevators, the elevators do not segregate Roundup Ready® progeny seeds from seeds lacking the patented trait. Monsanto should concede that before it introduced Roundup Ready® seeds, cheaper seeds lacking the patented trait were available from grain elevators for risky, late-season plantings. As the use of Roundup Ready® seeds became ubiquitous, the percentage of seeds with the patented trait in grain elevators steadily increased. Due to the commingling of seeds in grain elevators, it is now virtually impossible to buy any quantity of seeds from an elevator that does not include seeds with the patented trait. PA33a–34a. If exhaustion does not apply here, Monsanto's near monopoly on first-generation seeds and its practice of allowing commingling will result in a near monopoly on commodity seeds from the grain elevators,

which have long been used for late-season plantings. *See* JA153a–54a.

Farmers will have to go to Monsanto or its licensees for all of their seed requirements, paying Monsanto's premium price for the patented technology even for late-season plantings, for fear of infringement if they go to grain elevators. The most likely consequence is that late-season plantings will no longer be economically justifiable, thereby depriving farmers of an age-old option to increase revenue. That is an unwarranted extension of Monsanto's patent monopoly that harms the public. In a different factual context, this Court condemned a patentee's attempt to force purchasers to buy a patented product by suppressing a cheaper, noninfringing product. *See United States v. United States Gypsum Co.*, 333 U.S. 364, 397 (1948). As in *Gypsum*, this Court should condemn Monsanto's effort to suppress a cheaper, noninfringing product.

#### **IV. THE PVPA AND CASES INTERPRETING IT DO NOT SUPPORT MONSANTO**

Nothing in the Plant Variety Protection Act (PVPA), 7 U.S.C. §§ 2321 *et seq.*, or *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), alters the way that patent exhaustion applies to seeds. Exhaustion was not at issue in *J.E.M.* and would not change the result in *J.E.M.* There, this Court compared the language of the Patent Act and the PVPA, but did not address judicially created doctrines such as patent exhaustion.

Also, applying patent exhaustion to authorized seed sales does not contravene congressional intent as reflected

in the Patent Act and the PVPA. In 1952, Congress codified in the Patent Act the common law on patent infringement. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530 n.10 (1972); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 350 n.2 (1961) (Black, J., concurring). In contrast, after *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908), Congress codified a narrowed first-sale doctrine in the Copyright Act. See 17 U.S.C. § 109(b). Congress has not similarly limited the common-law patent-exhaustion doctrine—either by codification in 1952 or through any subsequent amendment.

The PVPA contains statutory exemptions, and its infringement provision “more resembles copyright law than patent law.” S. Rep. No. 91-1138, at 11 (1970). Like the Copyright Act, where Congress codified a narrower version of the common-law first-sale doctrine, Congress enacted and amended the PVPA’s saved-seed exemption to both endorse and confine historical farming practices. See *Mascarenhas & Busch*, *supra*, at 122, (discussing traditional seed saving practices and stating that “as long as agriculture has existed, farmers have assumed the universal right to save, replant, and exchange seed from their harvests”). Monsanto identifies no evidence that Congress intended to limit or derogate the common-law patent-exhaustion doctrine for patented seeds.

To be sure, this Court has already held that Congress did not, by enacting the PVPA, disturb the scope of patent rights for sexually reproduced plants. *J.E.M.*, 534 U.S. at 145 (holding that “neither the [Plant Patent Act] nor the PVPA limits the scope of [35 U.S.C.] § 101’s coverage”). The scope of the PVPA’s statutory saved-seed exemption therefore has no bearing on the scope of the common-law patent-exhaustion doctrine as applied to patented seeds.



This Court should therefore decline Monsanto's request for a judicial carve-out from the patent-exhaustion doctrine for seeds and other self-replicating technologies. This Court normally looks to Congress to balance competing interests like these. *See Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 431 (1984); *Boston Store of Chi. v. Am. Graphophone Co.*, 246 U.S. 8, 25–26 (1918). The Government and several amici make this same point. U.S. Br. 13; *see, e.g., Am. Intellectual Prop. Law Ass'n Br. 14.*

**V. MONSANTO AND ITS AMICI OVERSTATE THE ECONOMIC IMPACT OF PATENT EXHAUSTION FOR SELF-REPLICATING PRODUCTS**

Monsanto and its amici do not dispute that the mixed character of commodity seeds makes them largely unsuitable for planting except in risky situations. Nevertheless, they wish to preclude this age-old practice. But Monsanto and its amici fail to explain how commodity seeds or their progeny could possibly be sold in competition with first-generation seeds. Indeed, most agree that commodity seeds cannot be sold in competition with first-generation seeds due to labeling and certification requirements. *See, e.g., CHS Br. 4–8; Am. Soybean Ass'n Br. 31–33.* Accordingly, a ruling permitting the use of commodity seeds for planting will have little, if any, impact on Monsanto's business given the relatively low risk of competition Monsanto faces from commodity seeds.

Monsanto argues that this Court's approval of exhaustion here would lead to "inefficient, pretextual transactions," such as a farmer selling seeds to a grain elevator and immediately buying them back. *Resp'ts' Br. 48–49.* Assuming that a farmer could feasibly buy back his

own seeds from a grain elevator, Monsanto ignores that it could prevent that conduct contractually. And even if the contract lacked specific prohibitions, Monsanto could recover for breach of the covenant of good faith and fair dealing because “[e]very contract imposes upon each party a duty of good faith and fair dealing in its performance.” Restatement (Second) of Contracts § 205 (1981).

Regarding the impact that a ruling in Bowman’s favor might have beyond the use of commodity seeds for planting, Monsanto and its amici exaggerate the consequences. Monsanto asserts that extending patent exhaustion to the progeny of self-replicating products would undermine the incentive to innovate, alleging that patentees “would receive essentially no protection against the copying of any commercialized invention.” Resp’ts’ Br. 31. Some amici, such as the Government, the Wisconsin Alumni Research Foundation, and CropLife America, make similar assertions. U.S. Br. 18; WARF Br. 10–11; CropLife Am. Br. 23–25. They identify various technologies that would allegedly suffer harm if patent exhaustion applied to the progeny of certain self-replicating products, including 3-D printers, genetically modified bacteria, man-made cell lines, and recombinant plasmids, e.g., DNA vectors. Resp’ts’ Br. 31–32; U.S. Br. 18; WARF Br. 10–11.

But the 3-D printers that Monsanto mentions only make components for a kit and do not actually self replicate. *See* Resp’ts’ Br. 32 n.17; *see also* RepRap, [http://www.reprap.org/wiki/Main\\_Page](http://www.reprap.org/wiki/Main_Page) (last visited Feb. 8, 2013). Because someone would have to assemble those components to construct a machine, that assembly would presumably constitute direct infringement of a patent

claim covering the machine. *See* 35 U.S.C. § 271(a). Thus, Monsanto's 3-D printers provide an inapt illustration of a technology supposedly at risk if patent exhaustion applied to the progeny of self-replicating products.

Insofar as Bowman has ascertained, truly self-replicating technologies break down into two general categories based on distribution channels: products whose progeny (1) pass directly from producers to consumers or end users or (2) pass indirectly from producers through one or more intermediaries to consumers or end users.

Genetically modified laboratory animals, stem cells, and bacteria exemplify products in the first category.<sup>1</sup> Genetically modified crops, such as soybeans and corn,

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1. *See, e.g., Testing Methods Using OncoMouse<sup>®</sup> Transgenic Models of Cancer*, DuPont TechnologyBank™, <http://dupont.t2h.yet2.com/t2h/page/techpak?id=26128> (last visited Feb. 8, 2013); *Frequently Asked Questions*, DuPont TechnologyBank™, <http://dupont.t2h.yet2.com/t2h/page/faq#onco> (last visited Feb. 8, 2013); *Testing Method Using Transgenic Mice Expressing an Oncogene*, U.S. Patent No. 5,925,803 (filed Sept. 19, 1991); *Intellectual Prop.*, StemCells, Inc., <http://www.stemcellsinc.com/Science/Intellectual-Property.htm> (last visited Feb. 8, 2013) (identifying numerous stem-cell-related patents and technologies); *Licensees*, StemCells, Inc., <http://www.stemcellsinc.com/Science/Licensees.htm> (last visited Feb. 8, 2013) (identifying licensees); *Materials and Methods for Efficient Lactic Acid Prod.*, U.S. Patent No. 7,629,162 (filed Aug. 8, 2006); SEC, *Amendment and Restatement of the License Agreement Regarding Modified E. Coli Tech.* (2008), <http://www.sec.gov/Archives/edgar/data/1485026/000095012311054952/b86680exv10w8.htm> (agreement allowing the making and using of recombinant bacteria and the selling of lactic acid produced by the bacteria).

exemplify products in the second category.<sup>2</sup> As another example, genetically modified plasmids—such as live-attenuated self-replicating vaccines, e.g., FluMist<sup>®</sup>—sold through distributors to end users fall into the second category.<sup>3</sup>

For products in the first category, whose progeny pass directly to consumers or end users, patentees could provide products to them and simply license them to make and use—but not sell—progeny. Because the users of these technologies lack the power to sell, patent exhaustion would not apply. *See, e.g., Mitchell*, 83 U.S. at 550–51. If a user-licensee violated a license agreement by selling progeny, a patentee-licensor could sue for patent infringement as well as breach of contract. *See Quanta*, 553 U.S. at 637 n.7 (noting the availability of contract remedies even where patent exhaustion applies).

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2. *See, e.g., Dow AgroSciences, Herculex<sup>®</sup> Insect Protection Technology* 9 (2007), [http://msdssearch.dow.com/PublishedLiteratureDAS/dh\\_00c2/0901b803800c2908.pdf?filePath=herculex/pdfs/noreg/010-16310.pdf&fromPage=GetDoc](http://msdssearch.dow.com/PublishedLiteratureDAS/dh_00c2/0901b803800c2908.pdf?filePath=herculex/pdfs/noreg/010-16310.pdf&fromPage=GetDoc) (explaining that genetically modified corn “must be fed on-farm, used domestically, or delivered to elevators or other” grain handlers).

3. *See NanoLight<sup>™</sup> Technology Licensing*, [http://www.nanolight.com/licensing\\_luciferases\\_gaussia\\_luciferins\\_fluorescent\\_proteins.php](http://www.nanolight.com/licensing_luciferases_gaussia_luciferins_fluorescent_proteins.php) (last visited Feb. 8, 2013) (listing patents and “authorized distributors” for patented recombinant luminescence plasmid technology); FluMist<sup>®</sup>, <http://www.flumist.com/> (last visited Feb. 8, 2013); *Online Ordering and Reimbursement Info*, FluMist<sup>®</sup>, <http://hcp.flumist.com/influenza-vaccine-cost> (last visited Feb. 8, 2013) (listing distributors); *Methods of Producing Influenza Vaccine Compositions*, U.S. Patent No. 7,262,045 (filed Feb. 25, 2004).

For products in the second category, whose progeny pass indirectly to consumers or end users through one or more intermediaries, patentees could employ a distribution plan like the one at issue in *General Electric*. See 272 U.S. at 479. That plan involved the distribution through GE’s agents of light bulbs covered by GE’s patents. *Id.* at 480–83. In particular, GE supplied light bulbs on consignment to wholesalers (“B agents”) and retailers (“A agents”), but the light bulbs remained GE’s property until sold to consumers. *Id.* at 481–83. B agents could supply light bulbs to A agents, deliver them to others who had contracts with GE, or sell them to consumers. *Id.* at 482. A agents could sell light bulbs to consumers or deliver them to others who had contracts with GE. *Id.* at 483. GE’s agents received commissions for sales. *Id.* This Court observed that GE’s distribution plan was “devised for the purpose of enabling the company to deal directly with consumers and purchasers.” *Id.* Noting the “distinction in law and fact between an agency and a sale,” this Court sustained the validity of GE’s distribution plan over the government’s antitrust challenge. *Id.* at 485–94.

For Roundup Ready® soybeans, Monsanto could structure its agreements with farmers to make them grower-agents with licenses to (1) sell progeny seeds to end users who agreed not to plant, or (2) deliver progeny seeds to others who had contracts with Monsanto, e.g., authorized grain elevators. And Monsanto could structure its agreements with grain elevators to make them distributor-agents with licenses to sell progeny seeds to end users who agreed not to plant.

The above example based on *General Electric* is just one where contract law may be used to protect investments

in self-replicating technologies. In this example, patent rights are retained until a sale to the end user or consumer, with Monsanto assuming the risks associated with farming until that sale occurs. Monsanto could make other contractual arrangements with farmers and grain elevators, e.g., by requiring farmers to sell only to authorized grain elevators who agreed to secure promises from seed purchasers not to plant them. Monsanto could enforce contractual restrictions and obtain remedies that approach those provided by patent law.

Monsanto complains that contract remedies are inadequate, in part because lost-profit damages must be established “with reasonable certainty.” Resp’ts’ Br. 53. As in contract law, damages for patent infringement must be established with reasonable certainty. *See, e.g., Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983). If Monsanto cannot recover lost profits under contract law, it will fare no better under patent law.

**CONCLUSION**

Monsanto's request for expanded patent rights at the expense of America's farmers should be rejected. Farmers who purchase patented seeds and assume all risks associated with the business of farming should obtain full rights of ownership in those seeds and be able to use those seeds "in the ordinary pursuits of life." The judgment should be reversed.

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