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A Broader Perspective
Bulletin
Intellectual Property Client Service Group

To: Our Clients and Friends

May 14, 2013

In a Narrow Holding, the Supreme Court Rules that the Exhaustion Doctrine Does Not Apply to Making Copies or Reproductions of Patented Articles for Further Use

In *Bowman v. Monsanto*, No. 11-796 (May 13, 2013), the United States Supreme Court held that the patent exhaustion doctrine permits the purchaser of a patented article to use or resell the particular article purchased, but not to make copies or a reproduction of that article for further use. Otherwise, the patent exhaustion doctrine would terminate all patent rights to the patented article after the patent holder makes one initial sale, which would be contrary to congressional intent.

The *Bowman* case involved soybean seeds patented by Monsanto, which contain a genetic trait that allows "soybean plants to survive exposure to glyphosate, the active ingredient in many herbicides." Pursuant to the terms of a licensing agreement, Monsanto sells, directly or indirectly, these soybean seeds under the Roundup Ready trademark to growers on the condition that the growers plant the seeds in only one season, and then consume the resulting crop or sell it to a grain elevator or agricultural processor, who may then offer to sell the crop as "commodity soybeans." Growers who purchase the seeds may not save the harvested soybeans for the growers' or anyone else's replanting, because the harvested soybeans can serve as the seeds with the relevant genetic trait. In addition, the so-called "commodity soybeans" offered for sale by the grain elevator were intended, based on federal and state law, for human or animal consumption - not replanting.

Bowman is a farmer who planted two soybean crops per growing season. For his first crop of each season, he purchased Roundup Ready® soybean seeds licensed by Monsanto and, in accord with the licensing agreement, he used all of those seeds for planting and sold his entire crop to a grain elevator. For his second crop, Bowman purchased "commodity soybeans" containing the Roundup Ready® trait from a grain elevator and planted them in his fields. After harvesting the crop, he saved seeds from that crop for planting the following year, and he repeated the process until he harvested eight crops grown from commodity soybeans containing the Roundup Ready® trait over eight seasons.

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Monsanto discovered Bowman's practice and sued him for patent infringement. Bowman raised the patent exhaustion doctrine as a defense, arguing that the soybeans he purchased from the grain elevator "were the subject of a prior authorized sale (from local farmers to the grain elevator)," and thus he had the right to use the soybeans as he saw fit.

The Court rejected Bowman's argument, observing that the patent exhaustion doctrine terminates all patent rights to a patented item that is sold, not to new copies that the buyer of the "particular article" makes. Thus, while Bowman "could resell the patented soybeans that he purchased from the grain elevator," the patent exhaustion doctrine does not allow him to "make additional patented soybeans without Monsanto's permission."

The rationale behind the Court's holding is that if the patent exhaustion doctrine protected Bowman, it would discourage innovation. Had the Court held otherwise, Monsanto would only benefit from the first seeds that it sells. Thereafter, the buyer of the first seeds could then reproduce the seeds and sell to growers, "depriving Monsanto of its monopoly."

The Court cautioned that this holding is limited to the situation before it, *i.e.*, that Bowman was able to *control* the reproduction of the patented invention. Thus, the holding does not necessarily apply to every self-replicating product, *e.g.*, in cases where the buyer in the initial sale of the patented article has no control over the replication, or the replication is a necessary but incidental step in using the patented article.

If you would like to discuss how the Supreme Court's decision in *Bowman* may affect your business, please contact any of the following members of Bryan Cave's Intellectual Property Client Service Group:

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