Lawyers Weigh In On Supreme Court's Monsanto Ruling

Law360, New York (May 13, 2013, 9:20 PM ET) -- The U.S. Supreme Court ruled Monday that an Indiana farmer violated Monsanto Co.'s patents on herbicide-resistant soybean plants by replanting seeds, striking down his argument that the agribusiness giant had exhausted its control of the genetically modified seed. Here, attorneys tell Law360 why the unanimous ruling in Bowman v. Monsanto Co. et al. is important.

Michael J. Belliveau, Clark & Elbing LLP
"There is little remarkable about the opinion — the court ruled as all pundits thought and for the reasons all predicted. The one interesting bit is Justice [Elena] Kagan’s final paragraph, where she goes on record to state that the decision is limited to the facts presented. I believe the court did not want the Bowman decision to be a potential problem to future cases with more uncertain supporting facts. Of greater interest is what the court did not do — it did not revisit the apparent conflict between the Supreme Court’s view on patent exhaustion and the CAFC’s support of the conditional sale doctrine. Again, I believe most observers expected this to be the course of action."

Rod S. Berman, Jeffer Mangels Butler & Mitchell LLP
"The court recognized that because inventions involving self-replicating products are ‘becoming ever more prevalent, complex and diverse,' its holding was limited to the specific issue before it. So those who expected the court to deliver a broader pronouncement including one dealing with human cell technology, were likely nonplused with the court’s ruling. Lastly, we should not forget defendant Bowman's position that he could not be liable for infringement because he did not make the seed, the soybean plant did. In summarily rejecting that defense, Justice Kagan brilliantly stated: 'But we think the blame-the-bean defense tough to credit.'"

Terry Clark, Bass Berry & Sims PLC
"The court’s decision takes a literal view of the patent exhaustion doctrine, limited to self-replicating products. Even then, the court further limits its holding to the specific facts before it. The Supreme Court gave little guidance to when an infringer may cross the line when influencing nature to take its course resulting in a self-replicating product. Although never discussed, Bowman’s intent to profit appears to have been the determining factor. Predictions of the court are clear; there are more equally difficult decisions on the horizon as inventions become ever more ‘prevalent, complex and diverse.’"

John DiMatteo, Willkie Farr & Gallagher LLP
"The Bowman case is a simple restatement of well established patent law. Purchasing a product — in this case a seed — gives you a right to use that product, but not a right to copy it, again and again and again. I do not expect the defense of patent exhaustion to change in any significant way in light of Bowman for patent cases going forward."
John Dragseth, Fish & Richardson PC
"The Bowman decision was not surprising and should not make anyone excited. (Monsanto’s stock is actually down as I write this, so the market had already booked a victory.) I think most companies in Monsanto’s position were already pretty comfortable with their business models, and I don’t think many companies legitimately thought they would be safe making copies of patented materials. So nothing really changed today. The key thing to know in this area is that exhaustion and the related doctrine of implied license are logical, judge-made doctrines that attempt to implement reasonable, commercial expectations between parties. As a result, the cases in this area should always reach the same result as typical businesspeople would expect."

Thomas Engellenner, Pepper Hamilton LLP
"Hopefully, the Supreme Court’s decision in Bowman v. Monsanto heralds a new appreciation for biotechnology patents. The court’s decision in Mayo v. Prometheus last year sent shockwaves through the biotechnology industry. If the court had ruled that Monsanto’s patent rights were exhausted upon first sale, the implications might have been dire for stem cell therapies, knock-out gene animal models, vaccines and a whole host of other self-replicating technologies. Bottom line: there is nothing inherently evil about licensing inventions on a per use basis. Monsanto’s license agreement was clear, reasonable and consistent with time-honored precedents."

Jennifer Gordon, Baker Botts LLP
"The court explicitly limited its decision to the facts of the case. There are other 'copyable' technologies (e.g., genetically modified microorganisms and animals, vaccines and software) that may attempt to make use of today's holding by analogy. One thing the court did today inferentially — they recognized a recombinant DNA-based invention is eligible for patenting, consistent with its holding in Diamond v. Chakrabarty."

Thomas M. Haas, Thompson Hine LLP
"This ruling is no surprise to those who follow the Supreme Court. In fact, this decision was foreshadowed in the opinion the court set out in J.E.M. Ag Supply v. Pioneer Hi-Bred Int’l (2001), in which the court clearly explained that a patent holder could prohibit a farmer who legally purchases and plants a protected seed from saving harvested seed for replanting. For those in the biotech industry, Monday's decision merely reaffirmed the law as it has been understood for years — the purchase of a patented product does not confer the right to make copies of the patented product. For other industries, some mystery remains. Though the court has maintained the status quo for certain types of patented products, it has left the door open for revisiting patent exhaustion in the future."

David Harlan, Armstrong Teasdale LLP
"Patent exhaustion is a judicial doctrine intended to foster unfettered commercial resale and use of a patented product once the patentee has been rewarded for initially putting the article into commerce. Rather than expanding the law of patent exhaustion or reconsidering it in the context of self-replicating products in general, as some commentators anticipated, the Supreme Court limited its holding to the specific situation where Bowman planted patented seeds "solely to make and market replicas of them, thus depriving the company of the reward patent law provides for the sale of each such article."

Rob Isackson, Orrick Herrington & Sutcliffe LLP
"It will be business as usual for the agrobiotech industry whose single crop licensing practices for patent protected, genetically modified seeds were endorsed by the unanimous court’s holding that Bowman’s purchase from a grain elevator of seed permitted for human or animal consumption but not for replanting, and use to grow a cash crop was not protected by the doctrine of patent exhaustion. Significantly, the court left open whether patent exhaustion will apply to other self-replicating or self-reproducing patented articles (computer software, biological organisms), which may turn on to what extent the accused infringer controls the reproduction process."
Jonathan Kagan, Irell & Manella LLP
“This unanimous decision suggests that the Supreme Court believes that current law strikes the proper balance between inventors and consumers of technology. Bowman is a small farmer just trying to make a living, while Monsanto is a large agribusiness corporation seeking very high prices for seed. On an emotional level, you want to rule for him, and it has some support in the law. Ultimately, though, his argument would change the way inventions are paid for, at least with replicating technologies. The fact that he could not find any support at the Supreme Court means that emotion will not triumph over status quo.”

Sarah A. Kagan, Banner & Witcoff Ltd.
"The Supreme Court relied on general principles of patent law without needing to make any special rule because of the biological and 'self-replicating' subject matter. In fact, it particularly declined to create a special rule based on the 'self-replication' property of seeds. The court dismissively referred to that line of defense as a 'blame-the-bean' defense. The court did not invoke any special law of nature principles to help it decide the case. This is good news in this limited context, as the Supreme Court’s penchant for invoking the law of nature exemption is proving a slippery slope down which almost anything can slide."

Linda E. Kennedy and Bill C. Panagos, Butzel Long PC
"Blaming the bean did not work out for Mr. Bowman as a defense to Monsanto's claims of patent infringement. The unanimous Supreme Court confirmed that the doctrine of patent exhaustion allows buyers to resell particular items that encompass patented technology. It does not let buyers participate in creating new items that encompass that same technology. That is what happened here. The 'bean surely figured' in its own replication, but so did the infringer. Bottom line: Monsanto is free to continue its practices of selling its seed under its usual contract terms. The laws and principle apply to other 'self-replicating' technologies, but the results may vary if the infringer truly has no hand the replication."

Judith Kim, Sterne Kessler Goldstein & Fox PLLC
"While the court cautioned that the holding today is limited to the situation at hand, it provides sufficient clarity going forward for self-replicating technologies. Stating that '[t]he exhaustion doctrine is limited to the "particular item" sold . . .' the court rejected Bowman's argument that exhaustion should apply because seeds are meant to be planted in its normal use. Some factors to consider in exhaustion are whether the product was used by the purchaser for its intended use, the self-replication occurred outside the purchaser's control, and it was a necessary but incidental step in using the product for another purpose."

Antoinette Konski, Foley & Lardner LLP
"The Supreme Court has kept open the question of how far a patentee can extend the patent monopoly over self-replicating technologies in biotechnology or computer programs. What is clear, however, is that the Supreme Court is aware that current innovations in biotechnology and information technology are raising difficult questions over the proper scope of patent rights, and that the rights of patent owners and the public must carefully balanced."

Joe Liebeschuetz, Alston & Bird LLP
"The case signals the Supreme Court’s rescue of a multinational corporation from the guile of an Indiana farmer. Monsanto intends farmers to purchase a fresh supply of its patented herbicide-resistance soybeans for each new crop. However, an Indiana farmer found a loophole to this restriction by purchasing mixed seeds including some progeny of Monsanto’s proprietary seeds from another source. The Supreme Court still found the farmer liable on the basis that patent exhaustion applies only to the seed sold and not to progeny seed. This finding for Monsanto favors protecting investment and innovation over the sympathetic perspective of a small farmer, and contrasts with the Supreme Court’s trend in limiting patentable subject matter in other fields."
Ralph Loren, Edwards Wildman Palmer LLP
“Many had hoped that the court would provide guidance on the metes and bounds of the patent exhaustion doctrine. In particular, some had hoped that the court would give broad guidance on the effect of the patent exhaustion doctrine as it applies to self-replicating products, including cell lines. The court specifically declined to do so. There is a suggestion that if a product self-replicated outside of the purchaser’s control that the decision might have been different. That was not the case here and the court refused to broaden its ruling. Bowman took active part in planting and harvesting multiple generations of the seeds; that was sufficient to exclude his actions from the patent exhaustion doctrine.”

Brian Murphy, Edwards Wildman Palmer LLP
"The Supreme Court decision reflects a classical application of the patent exhaustion doctrine, which does not apply to self-replicating products in the absence of permission from the patent owner. Farmer Bowman’s conduct was rightfully considered to be an infringement, and I am very pleased to see the Supreme Court reject his extreme attempt to stretch patent exhaustion beyond its natural boundaries."

Gerard P. Norton, Fox Rothschild LLP
"Justice Kagan writing the opinion for the unanimous court held that farmers may not use Monsanto’s patented genetically altered soybeans to create new seeds without permission from the company. Indiana farmer Vernon Bowman planted Monsanto’s patented soybeans solely to make and market replicas of them, arguing that such activity was permissible under the doctrine of patent exhaustion. The court ruled that exhaustion applies only to the particular item sold, and not to reproductions. The court was careful to limit its holding to the case at bar, rather than every case involving a self-replicating product."

Patrick L. Patras, Hinshaw & Culbertson LLP
"This unanimous Supreme Court decision emphasizes the fundamental purpose of patent law: to reward innovation, not to provide cheaper products for consumers in the short term. This decision may not bode well for the Federal Trade Commission's position on the so-called 'pay-for-delay' agreements in FTC v. Actavis Inc., which will be decided by the court soon. There, the FTC emphasizes the short-term damage to consumers based on the high price of pharmaceuticals due to generics being paid to stay off the market."

John Roedel, Senniger Powers LLP
"The unanimous decision of the court in Monsanto v. Bowman is a welcome return to basic patent principles after the departure from statute and precedent in last year’s unfortunate and unnecessary Prometheus decision. The Monsanto court recognized that the patent exhaustion doctrine applies only to the patented item that is sold, and not to replications of the patented item resulting from actions of the purchaser. The relatively expansive application of patent exhaustion in Quanta remains intact, but it does not extend to the creation of a new copy of the patented item by the purchaser."

Jay M. Sanders, Faegre Baker Daniels
"I think part of the significance of the decision is that it confirms that planting a seed that incorporates altered genetic material, and growing a plant from the seed, is 'making' another copy of the altered genetic material. If a patented genetic construct were grown in microbes in a bioreactor, that would clearly also be 'making' the patented subject matter. Thus, I think it is important that the Supreme Court recognized that creating a newly infringing article (a patented genetic construct, for example) via growing a plant is also making another (unauthorized) copy of the article. I think it is also important that the Supreme Court acknowledged and recognized the need to be able to recapture research investments that are made to develop important advances in the field of biotechnology. Going forward, I think this gives investors and biotech companies some assurance that their investments can be protected."
**William J. Simmons, Sughrue Mion PLLC**

"The decision could reduce the need to charge tremendous amounts of money for the first sale of a patented agrobiotech product. If Bowman had prevailed, companies may have had to exponentially multiply the cost of a patented product, initially, when it is first sold, seeking to recover all of the costs of research and development up front. That is not necessary given this important decision and will enable more of the public to benefit from patented technology in the future, at a reasonable or at least lower initial expense."

**Charlie Steenburg, Wolf Greenfield & Sacks PC**

"While today's holding is narrow, there are potential tea leaves concerning issues such as whether 'conditional' sales avoid exhaustion. The Federal Circuit's 1992 Mallinckrodt decision upheld a one-time use restriction. Many have argued that this is irreconcilable with the Supreme Court's Quanta decision. Bowman's briefing pressed that point, and the U.S. (as amicus curiae) agreed even though it was otherwise supporting Monsanto. Today's decision does not mention the conditional sale issue, but does emphasize how Congress provided a 'patent monopoly' of 20 years — not just 'one transaction.' Statements like this may embolden the [Federal Circuit] to reaffirm Mallinckrodt despite Quanta."

**Aaron Stiefel, Kaye Scholer LLP**

"Under the doctrine of patent exhaustion, when you buy a product, such as a camera that may be covered by multiple patents, you get to use the product. Otherwise, why would you pay for it? But you don't get the right to take it apart and copy all the pieces and make your own camera. In the seed case, the problem was that when you plant a seed, naturally you end up with a copy of the soybean that you started with. Even though the seed makes its own copies, simply by growing, this outcome would essentially be no different than taking the camera apart and making your own camera. To an extent, the decision is narrow. In the biotech sphere, though, it would seem to give innovators greater control over their inventions."

**Jonathan Steinsapir, Kinsella Weitzman Iser Kump & Aldisert LLP**

"Unlike the Supreme Court's other 'exhaustion' decision this term — Kirtsaeng v. John Wiley & Sons, involving 'copyright exhaustion' — I do not believe the Monsanto case will have broad ramifications beyond the circumstances of the case, i.e. patents which protect plant seeds. Although the decision could logically be extended to patents involving other living organisms, which self-replicate, I do not see the case being applied beyond that. Of course, I am sure some creative copyright and patent lawyers will attempt to stretch the decision into other areas involving technology which 'self-replicates' (such as software, for example). However, I do not think well-informed courts will be, or should be, sympathetic to such arguments. Application of exhaustion principles to other technology needs to be judged by looking to the policies animating exhaustion generally, and not by attempts to analogize such technology to genetically modified soybean seeds."

**Peter J. Toren, Weisbrod Matteis & Copley PLLC**

"The decision in Monsanto is not surprising and its impact, as the court emphasized, will be very limited in scope. I was struck by the court's focus on the economic impact that a decision adverse to Monsanto would cause and the respect for the traditional goal of patent law of creating incentives for inventors. The court recognized the impact that a contrary decision would bring on agriculture and did not want to do anything that would reward slick behavior. I was also pleased that the decision is limited in scope to allow this and other similar industries to develop."
Seth Waxman, WilmerHale
“It’s a huge victory for innovation. The court made clear that strong patent protection is critical to preserving the incentives for innovation that Congress intended. The clarity — and unanimity — of the decision should put to rest any questions about the role of the patent system in protecting technologies like Monsanto’s. It’s gratifying that a case with such high stakes for innovation is receiving the attention it deserves.”

--Editing by John Quinn.

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