

## Intellectual Property Alert

May 15, 2013

### Supreme Court Unanimously Upholds Patent Rights on Readily Replicable Products

On Monday, May 13, the Supreme Court unanimously ruled that patent exhaustion does not permit a farmer to make new versions of patented seeds through planting and harvesting purchased seeds without the patent holder's permission (*Bowman v. Monsanto Company et al.*, No. 11-796; S. Ct.). The decision is a conclusive victory for Monsanto, whose patents on Roundup Ready transgenic seeds have withstood attacks from farmers for more than a decade.

Monsanto licenses its herbicide resistant soybeans to seed producers who, in turn, sublicense them to farmers under the terms of a licensing agreement. The license limits a farmer's planting of seeds to a single season, but the Roundup Ready trait is inherited by each successive generation of seed produced by the farmer. Monsanto claimed that farmers, like Indiana soybean farmer Vernon Hugh Bowman, violate the license agreement and infringe Monsanto's patents by planting second-generation seeds that were either harvested from the original, purchased seeds or purchased as commodity seed from a grain elevator.

Bowman invoked the defense of patent exhaustion, which traditionally restricts a patent owner's rights to control the use of a patented product after the first, authorized sale of that particular product into commerce. See *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U. S. 617, 625 (2008). The Supreme Court took the case to determine if the patent exhaustion analysis changes in those cases where the patent covers a purportedly "self-replicating product." The Court ruled, without dissent, that the Patent Act's traditional protection against unauthorized making of patented articles fully applies to patented products that are self-replicating. The Court further validated the use of license agreements to protect patented products that are susceptible to ready replication, and even holding that license limitations may be implied into a sale. (Slip op. at 6 n.3)

The Court finally noted that "self-replicating product[s] \*\*\* are becoming ever more prevalent, complex, and diverse." (Slip op. at 10) The Court accordingly reserved, for a later day, questions concerning the patent's protection for "self-replication [that] might occur outside the purchaser's control" or that "might be a necessary but incidental step in using the item for another purpose." *Id.* In this case, however, "Bowman planted Monsanto's patented soybeans solely to make and market replicas of them, thus depriving the company of the reward patent law provides for the sale of each article," and, the Court concluded that "[p]atent exhaustion provides no haven for that conduct." *Id.*

Accordingly, the Supreme Court affirmed the judgment of the Court of Appeals for the Federal Circuit.

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