Monsanto: Planting the Seeds of Discord

by John Conley

Few patent cases in recent years have provoked as much public outcry as Bowman v. Monsanto Co. (pdf) — in fact, I’d rank it second behind only Myriad. The case concerns Monsanto’s right to control harvesting and replanting of subsequent generations of its patented, genetically modified Roundup Ready seed. But that discord did not extend to the Supreme Court, which ruled unanimously (in a single succinct, 10-page opinion, written by Justice Kagan) that Monsanto can exert such control.

Monsanto invented and patented a genetic modification that enables soybean plants to survive exposure to glyphosate, the active ingredient in many herbicides, including Monsanto’s own popular weed killer Roundup. Monsanto sells soybean seed with this genetic modification as Roundup Ready seed. As the name suggests, use of the patented seed allows farmers the luxury of applying Roundup indiscriminately, confident that it will kill everything except their soybean crop. Not surprisingly, the patent monopoly allows Monsanto to charge a premium for the seed.

“Sells” is something of a misnomer for what Monsanto does. In fact, users agree to a licensing agreement. Typically, Monsanto enters into the agreement with seed dealers, who then pass the restrictions along to the growers who buy from them. Under that agreement, growers can plant the seeds in only one growing season. They can consume or sell the resulting crop, but they are not allowed to save harvested soybeans for replanting, nor to supply them to anyone else for that purpose. Monsanto’s position has always been that anyone who violates these conditions is committing patent infringement.

The case involves an Indiana farmer named Vernon Bowman (who enjoys a local reputation as a bit of a contentious gadfly). Up to a point, Bowman was a satisfied and well-behaved Monsanto customer, buying seed from an authorized dealer (which was bound to pass along the Monsanto restrictions to its retail customers) each year for his first crop, then selling his harvest to a grain elevator, all as permitted by the Monsanto agreement. But, as the Court put it, he “devised a less orthodox approach for his second crop of each season.” Because a second crop is riskier, he was reluctant to pay the premium price. Instead, Bowman bought “commodity” soybeans from a local grain elevator. Commodity beans are usually bought as animal feed. But Bowman assumed that other local farmers would be using Roundup Ready seed, just as he did, so he used the commodity beans as seed for his second crop (as the Court noted, “soybeans are themselves seeds”). As he expected, the new plants survived herbicide treatment, giving him the benefit of Monsanto’s technology without paying the premium. When Monsanto learned of his activities, it sued, winning in both the District Court and the Court of Appeals for the Federal Circuit. The Supreme Court then agreed to hear Bowman’s appeal.

To understand the legal issue in the case, start with the basic proposition that a patent gives the owner the right to prevent others from making, using, or selling the patented invention without permission. (As will become evident in a moment, making is the key term here.) Suppose that I have a patent on a machine. If you make a copy of that machine without permission, you infringe. If I sue and win the court can award me damages and issue an injunction that commands you to stop infringing.

But my rights have some limits. One limit is that if I permit the sale of a copy of my patented machine— that is, there is a lawful sale of that copy—then I lose most of my control over that copy. You, as a lawful purchaser, have an implied right to use that copy of the machine, to perform routine maintenance and repair, and, if you want, to resell it. You cannot, however, make another copy; that would still be infringement. These limitations on the patent owner’s rights are known as the patent exhaustion doctrine. The theory is that the first sale of a copy “exhausts” the patentee’s rights in that copy; economically, the patentee should extract its monopoly profit from that sale, and should not expect anything more down the road. The legal issue in this case was how to apply the exhaustion doctrine to a patented product that, like Monsanto’s seed, is self-replicating.

Based on its unanimity and the brevity of its opinion, the Supreme Court apparently thought that this was a pretty straightforward exercise in legal reasoning. The key point, Justice Kagan wrote, is that the exhaustion doctrine “restricts a patentee’s rights only as to the ‘particular article’ sold; it leaves untouched the patentee’s ability to prevent a buyer from making new copies of the patented item.” And that, in the Court’s view, “is precisely what Bowman did . . . That is how to make a new product, to use Bowman’s words, when the original product is a seed.”

Bowman acknowledged that the literal terms of the exhaustion doctrine worked against him, but asserted what the Court called a “seeds-are-special argument,” claiming that he could not possibly infringe by “merely using them in the normal way farmers do.” This doing-what-farmers-do-issue was the one that many Monsanto opponents had seized on, imbuing Bowman’s conduct with the moral authority of Jeffersonian yeomanry. But the Court rejected his argument out of hand, emphasizing its economic implications: if Bowman were right, the “patent monopoly would extend not for 20 years (as the Patent Act promises), but only for one transaction. And that would result in less incentive for innovation than Congress wanted.” In other words—as the Court has said in many patent cases over the years—we just interpret the Patent Act; if you have moral or economic objections to the policies it embodies, complain to Congress, not us.

Bowman also raised a “blame-the-bean defense”: “it was the planted soybean, not Bowman himself, that made replicas of Monsanto’s patented invention.” The Court found this “tough to credit,” because “Bowman was not a passive observer of his soybeans’ multiplication.” Rather, “he designed and executed a novel way” to circumvent Monsanto’s patent.

A further aspect of the decision worth commenting on is the scope of its application. It clearly does enhance the value of patented, genetically modified seeds like Roundup Ready. But how far will its impact extend?

One question is how important the Monsanto license agreement was to the outcome. That is, what if Monsanto had simply sold the seeds outright, without any restrictive agreement? Would patent law alone prohibit conduct like Bowman’s, because he’d still have been making
copies of the patented invention without the affirmative permission that’s usually required? The Court said, in a footnote, that the presence or absence of the agreement made no difference: its “conclusion applies however Bowman acquired Roundup ready seed.” In fact, the sale of soybeans from the grain elevator to Bowman—the specific soybeans that Bowman used to plant his second crop—was not subject to the license agreement. So even though the Court took care to note that it was not deciding a case that involved unconditional (no license) sales by the patent owner, it appears that the result would be the same—unauthorized reproduction of the seed would still be infringement. But it also took care to note that those facts (no license) were not part of this case, and that a sale without a license was unlikely to happen in any event.

The ultimate issue is whether the *Monsanto* holding can be extended to other kinds of self-replicating patented products—genetically modified animals as well as cell lines come immediately to mind. The Court took a very cautious line, emphasizing that it was “addressing the situation before us, rather than every one involving a self-replicating product.” Other technologies would have to be addressed on their own merits, with attention to such questions as whether—unlike here—“the article’s self-replication might occur outside the purchaser’s control.”

Despite this language, however, it will be hard for the lower courts not to apply the Supreme Court’s logic to other self-replicating technologies, and conclude that self-replication—at least where the alleged infringer drives it—is irrelevant to the patent exhaustion doctrine. That is, I would expect lower courts to read *Monsanto* as directing them to hold that any defendant who, like Bowman, directs the self-replication of a patented product is making another copy of it, and thus is not entitled to a patent exhaustion defense.