



Supreme Court Reviewing Important Ag Biotech Patent Case

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The US Supreme Court receives approximately 10,000 petitions per year asking it to review a particular dispute—called a petition for a writ of certiorari or petition for “cert.” As the Court cannot possibly hold an oral argument and decide each requested case, it usually selects the most critical 75-80 cases per year, with the term starting in October and running through the following summer. Lawyers anxiously await the Court’s decision on which cases it will hear and then speculate as to why it may or may not have accepted “cert” in a particular case and what this may mean for that area of law going forward.

Although agriculture undoubtedly is an important part of our national economy, it is relatively rare when the Court grants cert on a case directly involving agriculture. The Court’s docket tends to be congested with issues relating to the grand social challenges of the day, e.g., health care, affirmative action in higher education, freedom of speech, and balancing individuals’ privacy rights with the needs of the police, to name a few topics on the Court’s agenda for the 2012-2013 term.

The Court’s decision to grant cert in *Bowman v. Monsanto Co.*, therefore, has engendered substantial discussion in the agricultural law community regarding the scope of patent rights for agricultural biotechnology. In *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), the Court affirmed the ability to secure utility patents on “living” things such as microbes. Life science companies quickly realized that many of their novel inventions, such as genetically engineered seeds, could qualify for utility patents. This provided an additional layer of intellectual property protection beyond trade secrets or plant variety protection certificates. In *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred, Inc.*, 534 U.S. 124 (2001), the Court further affirmed that genetically engineered seeds could qualify *simultaneously* for *both* plant variety protection certificates and utility patents. This provided agro-biotech companies an important means to protect their return on research investment by excluding the ability of competitors to appropriate their novel technology and incorporate it in their own seeds.

On the other hand, seed companies were left with a problem of how to prevent entrepreneurial farmers from saving this seed embedded with new (and expensive) technology. The “First Sale Doctrine” of patent law provides that once a patented product is sold, the new owner is free to make use of that product however he/she best sees fit. For example, if I buy a patented chair, I could use it to sit on, or stand on top of it to reach into the top of my kitchen cabinets. And when I am done with the chair, I am free to sell it to whomever I want, at any price I want and they are free to do whatever they want with that chair. The owner of the patent, after the “first sale” to me, has extinguished the patent rights in that

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particular chair. I could not, however, take that patented chair, reverse engineer the patented technology in the chair, and then manufacture and sell my own version. The difference is that the patent rights are exhausted in the specific chair I bought, while the patent laws exclude me from making copies of chairs on my own to sell to others.

But what about “self-replicating” products such as soybeans? If I buy a bag of soybean seeds from the seed dealer, I obviously intend to plant them and create more seeds—that is, after all, the point of farming. Yet the readers of *farmdoc* certainly understand that farmers cannot save and replant patented soybean seeds year to year. And what about the First Sale Doctrine? Would that not allow the purchaser of the seed to make whatever use they want of the seed pre- or post-harvest similar to the patented chair example?

The answer, at least under current law, is no. In simplest terms, one does not “buy” the patented seeds, but rather purchases a license from the patent holder to use the patented technology embedded in the seed itself. This is a limited-use license that places restrictions on the license holder’s use of the seed, e.g., no saving seed for replanting the next growing season. This is a well settled area of law as multiple courts have upheld limited use licenses that restrict seed saving. See *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004); *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006).

What has the agricultural law community talking, however, is the planting of seeds not “saved” by the farmer from the previous growing season, but rather the purchase of soybeans from a grain elevator (known as “commodity seed”) and the subsequent planting of those seeds. The seeds were “sold” by the original farmer to the grain elevator without restriction, and thus the question is whether the prohibition against planting commodity seeds applies to the subsequent farmer.

A federal trial court in Indiana, as well as the Court of Appeals for the Federal Circuit in Washington, DC, ruled in favor of the patent holder—Monsanto. See *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011). The court avoided applying the First Sale Doctrine, holding that even if the patent rights in the commodity seed are exhausted by the authorized sale to the grain elevator, once the second farmer plants the commodity seed containing the patented technology and the next generation of seed develops, this farmer has in essence recreated the patented item without permission from the patent owner—a type of patent infringement somewhat similar to the example described above of building copies of the patented chair. See *id.* at 1347-48.

In many respects, the Court of Appeals’ ruling in *Bowman* last year conformed with the general understanding of how patent law applies to agro-biotechnology and generated little discussion. So why would the U.S. Supreme Court, especially in light of the thousands of petitions for cert it receives each year, decide to look further into this particular case? Are the justices looking to solidify intellectual property protection for self-replicating patented products such as seeds? Or do they think intellectual property rights may have “gone too far” and that post-sale restrictions included in technology use agreements need to be scaled back?

The Supreme Court has [not yet set a date](#) for oral argument and briefs by the parties are due to the Court over the next two months. Until the Court rules, however, one can only speculate if or how the intellectual property rules may change with respect to genetically engineered seeds. At this point one thing is clear—a reversal by the Supreme Court and narrowing of intellectual property rights could have a significant impact on agricultural innovation and production practices. What this would mean for the agricultural community with respect to productivity and farm overall profitability is an even longer term question.