

No. 11-796

IN THE
Supreme Court of the United States

VERNON HUGH BOWMAN,

Petitioner,

v.

MONSANTO COMPANY, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONER

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QUESTION PRESENTED

Patent exhaustion delimits rights of patent holders by eliminating the right to control or prohibit use of the invention after an authorized sale. In this case, the Federal Circuit refused to find exhaustion where a farmer used seeds purchased in an authorized sale for their natural and foreseeable purpose—namely, for planting. The question presented is:

Whether the Federal Circuit erred by (1) refusing to find patent exhaustion in patented seeds even after an authorized sale and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies?

PARTIES TO THE PROCEEDING

Pursuant to Rule 24.1, the following list identifies all of the parties appearing here and before the Court of Appeals for the Federal Circuit.

The petitioner here and defendant-appellant at the court of appeals is Vernon Hugh Bowman.

The respondents here and plaintiffs-appellees at the court of appeals are Monsanto Company and Monsanto Technology LLC.

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OPINIONS BELOW

The appellate court’s opinion is reported at *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011). PA1a–18a.¹

The district court’s opinion granting Monsanto Company’s and Monsanto Technology LLC’s motion for summary judgment of infringement is reported at *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834 (S.D. Ind. 2009). PA31a–43a.

JURISDICTION

The Federal Circuit entered judgment on September 21, 2011. This Court’s jurisdiction is proper based on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The statutory appendix reproduces the relevant portions of the patent statutes at issue.

STATEMENT OF THE CASE

Respondents Monsanto Company and Monsanto Technology LLC (collectively “Monsanto”) sell patented “first-generation” seeds to farmers directly or through licensed seed producers. A0026–27. Farmers use first-

1. Citations to “A” refer to the Joint Appendix before the Federal Circuit; “Dckt.” to the district court record in case 2:07-cv-283-RLY-WGH; “PA” to the Petition Appendix; “JA” to the Joint Appendix before this Court; and “SA” to the Supplemental Joint Appendix before this Court.

generation seeds for planting, a use that naturally results in the creation of progeny seeds. Monsanto authorizes farmers to sell the progeny of their first-generation seeds to grain elevators in unrestricted sales. PA8a. Likewise, Monsanto authorizes grain elevators to resell progeny seeds as part of an undifferentiated grain mixture available to the public as a commodity. A0639. Farmers refer to this mixture as “commodity grain” or “commodity seeds.” PA7a; PA16a. Monsanto asserts a right to sue purchasers of commodity seeds for patent infringement when they use those seeds for planting. A0498; A0504.

A. Statement of Facts

1. Monsanto’s Roundup Ready® Technology

Monsanto has altered the genetic makeup of certain plants by transferring a gene into the plants’ germplasm² causing them to be resistant to glyphosate, the active ingredient in Monsanto’s herbicide sold under the name Roundup®. JA29a ¶ 11; PA2a–4a; PA20a. Monsanto and its licensed seed producers sell seeds possessing the gene conferring resistance to glyphosate under the name Roundup Ready®. JA29a ¶ 11; PA20a. Plants grown from Roundup Ready® seeds can be sprayed with glyphosate, killing weeds without substantially damaging the crop. A0471.

2. “Germplasm” is living tissue from which new plants can grow. This can be a seed, or it can be another plant part—a leaf, a piece of stem, or pollen. *See* Agric. Research Serv., U.S. Dep’t of Agric., *Seeds for Our Future: The U.S. National Plant Germplasm System* 1 (rev. 1996).

The introduction of Roundup Ready® technology has made glyphosate the most heavily used herbicide in America and has, in the process, substantially increased overall herbicide use. *See generally* Charles M. Benbrook, *Impacts of Genetically Engineered Crops on Pesticide Use in the U.S. -- The First Sixteen Years*, 24 *Envtl. Sci. Eur.* 24 (2012), <http://www.enveurope.com/content/24/1/24/>. Although use of Roundup® is more convenient than prior weed-control methods, no evidence suggests that Monsanto's Roundup Ready® technology is responsible for more bountiful harvests. JA187a ¶ 8; *see also* Doug Gurian-Sherman, Union of Concerned Scientists, *Failure to Yield: Evaluating the Performance of Genetically Engineered Crops* 16 (2009).

2. Monsanto's Patents

Monsanto protects its Roundup Ready® technology through several patents. It asserted two of those patents against Petitioner Vernon Hugh Bowman ("Bowman"), U.S. Patent Nos. 5,352,605 (the "605 patent") and RE 39,247E (the "247E patent"). JA12a ¶ 4. The '247E patent explains that glyphosate kills plants by inhibiting the activity of an enzyme necessary for growth. SA10 col.1 ll.27–41. The '247E patent states that a particular genetic sequence, when inserted in the germplasm of certain seeds, produces a growth enzyme that is unaffected by glyphosate. SA10 col.1 ll.42–46; SA11–12 col.3 l.32–col.5 l.46. Monsanto's '247E patent claims a DNA molecule encoding a glyphosate-tolerant enzyme, plant cells containing that DNA molecule, plants containing such cells, the seeds of such plants, and the method of producing such plants. SA14–17 col.155 l.50–col.162 l.63. Monsanto's '605 patent claims a specific promoter (e.g.,

a DNA sequence required for production of a protein) and plant cells containing that promoter. SA4–5 col.15 l.51–col.18 l.13.

3. Roundup Ready® Seed Distribution

First-generation seeds mature at the same rate, are of uniform variety and disease resistance, and are substantially free of contaminants (e.g., other crop seeds, weed seeds, and inert matter). JA159a–60a. Sales of first-generation Roundup Ready® seeds by Monsanto or a licensed seed producer require that farmers enter into a contract with Monsanto, usually called a “Technology Agreement,” and pay a corresponding “technology fee.” A0004. Technology fees paid to Monsanto result in a premium price over conventional seeds. A0344 at 86:8–89:15; *see also* Charles M. Benbrook, The Organic Ctr., *The Magnitude and Impacts of Biotech and Organic Seed Price Premium* (2009), http://www.organic-center.org/reportfiles/Seeds_Final_11-30-09.pdf. By 2009, the technology fee for Roundup Ready® soybeans had risen from an estimated \$4.50 to \$17.50 per bag. *See* Kristina Hubbard, Nat’l Family Farm Coal., *Out of Hand: Farmers Face the Consequences of a Consolidated Seed Industry* 22 (2009), <http://farmertofarmercampaign.com/Out%20of%20Hand.FullReport.pdf>. The rise in seed prices has been accompanied by increased consolidation in the seed industry, leading to fewer choices for farmers. *See id.*

Monsanto imposes numerous restrictions on farmers who purchase first-generation Roundup Ready® seeds. Under a Monsanto agreement, farmers promise: (1) “to use the seed containing Monsanto gene technologies for planting a commercial crop only in a single season”; (2) “to not supply any of this seed to any other person or entity

for planting”; (3) “to not save any crop produced from this seed for replanting, or supply saved seed to anyone for replanting”; and (4) “to not use this seed or provide it to anyone for crop breeding, research, generation of herbicide registration data, or seed production.” A0284.

Monsanto enforces restrictions in its agreements through suits for patent infringement. *See, e.g., Monsanto Co. v. David*, 516 F.3d 1009 (Fed. Cir. 2008); *Monsanto Co. v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006); *Monsanto Co. v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002). By 2010, Monsanto had filed 136 infringement lawsuits against 400 farmers and 53 small-farm businesses. *See* Ctr. for Food Safety, *Monsanto vs. US Farmers: 2010 Update* (2010), <http://www.centerforfoodsafety.org/wp-content/uploads/2012/03/Monsanto-v-US-Farmer-2010-Update-v.-2.pdf>. Of these lawsuits, 70 ended in judgments for Monsanto, with aggregate damages totaling \$23,345,820.99. *Id.*

4. Commodity Grain

Commodity grain stored in a grain elevator is an undifferentiated mixture containing several different seed varieties from numerous different farms. JA163a ¶ 3; JA172a. Commodity grain can be dirty, containing a relatively high content of debris, seeds from other crops, and weeds. Dckt. #73-2 at 62. Additionally, commodity grain lacks uniformity in maturity rate, disease resistance, drought resistance, and other beneficial traits. A0354 at 128:10–129:12; A0626.

Commodity grain’s mixed, impure character makes it largely unsuitable for planting, except where a farmer requires low-cost seeds to balance the risks associated

with late-season plantings. A0343 at 83:18–84:5. Late-season plantings are inherently risky because the growing time is short, and for non-irrigated crops, there is an increased likelihood of damage due to drought. *See* Roy Roberson, *Timing Critical for Double-Crop Soybeans*, Se. Farm Press, June 30, 2009, *available at* <http://southeastfarmpress.com/soybeans/timing-critical-double-crop-soybeans>.

Notwithstanding the risks, late-season plantings are sometimes necessary when floods or other natural disasters destroy a farmer's fields. Late-season plantings are also necessary for "double-cropping," a widely practiced planting technique for supplementing farm income or protecting fields from soil erosion. *See id.*; *see also* Vern Grubinger, *Cover Crops and Green Manures*, *available at* <http://www.uvm.edu/vtvegandberry/factsheets/covercrops.html>. Double-cropping refers to planting a second crop (such as soybeans) immediately after harvesting a first crop (such as winter wheat). *See* A0343 at 82:21–85:16. Farmers have been using commodity grain from grain elevators as a low-cost seed source for generations. *See* A0627.

5. Bowman's Planting Activities

Bowman is a seventy-five-year-old farmer from Indiana. Like many Indiana farmers, Bowman makes double use of certain fields, planting a first crop of winter wheat on a particular field followed by a second crop of soybeans on that same field once the winter wheat is harvested. A0343 at 84:6–23. When soybeans are planted on a field following the harvest of winter wheat, farmers sometimes refer to them as "wheat beans." Dckt. #73-2 at 3 ¶ 7.

Beginning in 1999 on fields where Bowman did not plant double-crop soybeans, he planted first-generation, first-crop Roundup Ready[®] soybeans purchased from Pioneer Hi-Bred International, Inc. (“Pioneer”). PA8a–9a. Pioneer is one of Monsanto’s licensed seed producers. PA8a. Bowman never planted progeny seeds grown from his Pioneer seeds. PA9a. His correspondence with Pioneer and Monsanto explains why. Dckt. #73-2 at 9–11.

Specifically, in May 1999, Bowman asked what legal authority prevented “a farmer from saving his own seed from R.R. [Roundup Ready[®]] Beans that were purchased from a company’s legal representative” and requested a response in time for him to decide whether he could use progeny from his Pioneer seeds for late-season plantings. Dckt. #73-2 at 9. In June 1999, Monsanto responded, answering that “[p]lanting of seed that is covered by a patent would be making the patented invention and using the patented invention. Selling it to the elevator would be selling the patented invention.” Dckt. #73-2 at 10.

A few years later, Bowman sought additional clarity regarding the laws that allegedly restricted disposition of purchased Roundup Ready[®] seeds. Dckt. #73-2 at 12. He explained that “[t]here is some concern about the right of a farmer to buy R.R. beans pay the tech. fee and then resell them to another farmer.” *Id.* He also asked, “Does Federal law prevent this or is it your purchase agreement[,]” pointing out that “[t]here are millions of patented products made in America and resold legally.” *Id.*

In January 2005, Monsanto evaded Bowman’s direct question whether federal patent law or Monsanto’s Technology Agreement governed rights in purchased

seeds. Instead, Monsanto asserted that “[g]rowers are not authorized to transfer seed[s] with these [patented] traits” and that “[r]eselling seed[s] containing these traits infringes a number of Monsanto patents including patent number 5,352,605.” Dckt. #73-2 at 13.

Sometime in 2006, Monsanto requested an opportunity to investigate Bowman’s planting activities. Bowman consented. Dckt. #73-2 at 15. Early in 2007, Bowman wrote to Monsanto, stating that “I have been buying soybeans from an elevator for planting after wheat. There is no way of knowing what variety I have planted. However, most of the soybeans I have purchased turned out to be resistant to Round Up [sic] related chemicals.” Dckt. #73-2 at 16. Bowman, believing that he was *legally* using commodity grain purchased without restrictions from a grain elevator, asked “[w]ould you have your legal correspondent explain why my buying commercial bin run beans for planting is illegal.” *Id.*

Over the next three months, Bowman exchanged several letters with Monsanto’s outside legal counsel, asking repeatedly for any evidence that his use of commodity grain for planting violated Monsanto’s patent rights and whether Monsanto ever provided notice or warning of this fact with respect to commodity grain. *See* Dckt. #73-2 at 17–64. In an April 2007 letter, Bowman wrote that “[t]he commodity beans I bought turned out to be mostly R.R. beans as I had hoped. I did save some of these beans for seed.” *Id.* at 61.

B. Proceedings Below

Monsanto sued Bowman for patent infringement in October 2007. The complaint alleged that Bowman

willfully infringed both the '605 and the '247E patents in part because he “planted the soybean seed he purchased from the grain elevator.” JA14a ¶ 14. In September 2008, Monsanto requested summary judgment, seeking a final determination as to Bowman’s liability and damages. JA28a. Bowman argued that Monsanto’s patent rights to the seeds he purchased from the grain elevator and their progeny were exhausted. JA120a–57a; JA192a–201a.

In June 2009, the district court requested that the parties provide additional briefing about the applicability of patent exhaustion. PA19a–20a. Specifically, the court asked the parties to address the impact that *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), had on Bowman’s exhaustion defense. PA24a–29a. In a September 2009 order, the court rejected Bowman’s exhaustion defense. PA31a–43a. Relying on Federal Circuit law, the court concluded that “[n]o unconditional sale of the Roundup Ready® trait occurred because the farmers could not convey to the grain dealers what they did not possess themselves. . . . The grain elevator/dealer from whom Bowman bought the soybeans had no right to plant the soybeans and could not confer such a right on Bowman.” PA41a.

Although the district court entered a judgment of \$84,456.20 in Monsanto’s favor (based on a reasonable royalty of acres planted with commodity soybeans), it expressed some reservations. PA37a; PA51a; A0359–73. The court said that “despite Bowman’s compelling policy arguments addressing the monopolizing effect of the introduction of patented genetic modifications to seed producing plants on an entire crop species, he has not overcome the patent law precedent which breaks in favor of Monsanto” PA37a.

In September 2011, the Federal Circuit affirmed the district court's judgment. PA1a–2a. It rejected Bowman's exhaustion defense and, by so doing, refused to hold Monsanto's patent rights exhausted with respect to the seeds Bowman purchased from the grain elevator. PA14a.

The Federal Circuit further asserted that by planting commodity seeds and harvesting their progeny, Bowman "created a newly infringing article." PA14a. Ostensibly, the Federal Circuit intended this argument to serve as an independent basis for affirming the judgment, but it fails in that regard because the judgment did not rest on the number of units allegedly "made" by Bowman. Instead, it rested on the number of acres *planted* by Bowman, and there was no evidence before the district court that could have supported a judgment based on the number of infringing units allegedly "made." PA31a–43a; PA46a–48a; A0359–73.

The Federal Circuit's decision creates an exception to the doctrine of patent exhaustion for self-replicating technologies. The decision means that a patentee can reserve rights under the patent to exclude use of a patented article sold in an authorized sale whenever such use results in the creation of another generation. PA14a. By definition, use of self-replicating technology results in the creation of another generation. Under Federal Circuit law, patentees can authorize the sale of patented self-replicating technologies and, through patent infringement lawsuits, retain control over the use or disposition of patented articles and any subsequent generations resulting from lawful use.

SUMMARY OF THE ARGUMENT

For more than a century, this Court has held that “in the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use.” *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456 (1873). Following an authorized sale of anything that “embodies” the invention, the patentee “may not thereafter, by virtue of his patent, control the use or disposition of the article.” *United States v. Univis Lens Co.*, 316 U.S. 241, 250–51 (1942). Patentees may, however, use contract law to enforce contractual promises that they obtain from purchasers of patented articles. *See Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549–50 (1853).

This Court recently confirmed in *Quanta* that “[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.” 553 U.S. at 625. In *Quanta*, this Court considered whether exhaustion applied to the sale of components of a patented computer system that must be combined with additional, non-patented components in order to practice patented methods. The Court answered that question in the affirmative. In the process, it unanimously reversed the Federal Circuit’s holding in *LG Electronics, Inc. v. Bizcom Electronics, Inc.*, 453 F.3d 1364, 1370 (Fed. Cir. 2006), that exhaustion did not apply to method claims and that, alternatively, it did not apply to the circumstances in *Quanta* because the sales made by the patentee’s licensee were not “unconditional sales.”

This case raises similar issues to those considered in *Quanta*, with the main difference being that the patented items at issue here are “self-replicating,” a term used to describe technologies that replicate through normal, foreseeable use. Here, the self-replicating technology involves patented seeds that have been genetically altered to resist application of a particular type of herbicide. Monsanto places contractual restrictions on authorized purchasers of those seeds and attempts to enforce those restrictions in lawsuits for patent infringement, relying on Federal Circuit law to support its actions.

The Federal Circuit has significantly curtailed the patent-exhaustion defense as articulated by this Court, leaving Federal Circuit law in conflict with the law of this Court. According to the Federal Circuit, patent exhaustion does not apply to an “expressly conditional sale,” which is a sale that imposes post-sale restrictions on the purchaser. *See id.* at 1369. Cases from the Federal Circuit establishing this rule, including *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), reach this conclusion by erroneously limiting this Court’s exhaustion decisions. The Federal Circuit’s improperly narrow reading of this Court’s exhaustion decisions resulted in its incorrect conclusion that post-sale restrictions only trigger exhaustion in cases raising antitrust or patent-misuse concerns.

In past cases addressing exhaustion in the context of patented seeds, the Federal Circuit rejected the defense based on the rule established in *Mallinckrodt* that exhaustion does not apply to a conditional sale. *See Scruggs*, 459 F.3d at 1335–36; *McFarling*, 302 F.3d at 1298–99.

In the decision currently under review, the Federal Circuit rejected Bowman’s exhaustion defense, relying on *Mallinckrodt* as well as *McFarling* and *Scruggs*. The seeds at issue here, unlike in *McFarling* and *Scruggs*, were purchased by Bowman as a part of an undifferentiated mixture of seeds sold as a commodity. As in *McFarling* and *Scruggs*, however, the Federal Circuit erred by failing to find exhaustion after an authorized sale, affirming the district court’s conclusion that “[n]o unconditional sale of the Roundup Ready® trait occurred because the farmers could not convey to the grain dealers what they did not possess themselves.” PA41a.

But this reasoning fails to recognize that exhaustion has only one requirement—an authorized sale. Whether a licensee or the patentee makes the sale, if it is authorized, it triggers exhaustion, and the item sold passes outside the protection of the Patent Act. This principle is true even if the sale is to a person who intends to use the patented article in a manner that is not authorized by the patentee, and regardless whether the purchaser in fact so uses the article. Despite this principle, the patentee can still control use or disposition of the article by contract law.

The Federal Circuit also developed an alternative (and equally invalid) argument to reject Bowman’s exhaustion defense, reasoning that even if exhaustion applied to the seeds purchased as a commodity from a grain elevator, Bowman infringed Monsanto’s patents because his use of the commodity seeds for planting constituted an impermissible “making” of the invention. In this argument, the Federal Circuit likened use of commodity seeds for planting to impermissible “reconstruction” of the invention. This argument fails for several reasons.

First, Bowman's use of commodity seeds for planting has nothing in common with "reconstruction." Reconstruction requires that patented articles become broken or worn out. But no parts of Bowman's seeds were broken or worn out; they were simply used. Second, the Federal Circuit's reasoning conflicts with the strong policy against extending the patent monopoly by judicial decision beyond the terms of the patent grant. This Court's cases say that such extension is the exclusive work of Congress. Finally, any reading of the words "make" and "making" from the Patent Act to include use by planting is overly broad because it would render other parts of the Act, specifically those dealing with indirect infringement, superfluous.

If patent rights in seeds sold in an authorized sale are exhausted, patent rights in seeds grown by lawful planting must be exhausted as well. Due to the self-replicating nature of the invention, subsequent generations of seeds are embodied in previous generations. Accordingly, under this Court's holding in *Quanta* pertaining to the exhaustion of method claims, the sale of a self-replicating product embodying an invention exhausts patent rights to subsequent generations that are embodied in the product sold. Similar to patented methods and products that embody those methods, the patented seeds at issue here fully embody all inventive aspects of the asserted claims. By authorizing the sale of patented seeds, Monsanto has authorized the sale of a product that can be used for practicing the patents and therefore has parted with all ability to restrict such use under the patent laws.

Additionally, farmers who lawfully use seeds purchased in an authorized sale are considered owners of the seeds they grow. Farmers have all traditional indicia

of ownership, including possession, title, control, and the right to sell. Moreover, they maintain the risk of loss with respect to the seeds they grow. Monsanto authorized the sale of seeds to farmers, and Monsanto authorized use of those seeds for planting. In this sense, Monsanto authorized the sale of subsequent generations of seeds along with the sale of any seeds having the ability to be planted and used for self-replication.

The policy against creating personal-property servitudes further supports exhaustion of seeds that farmers grow through lawful use of purchased seeds. A servitude is a restriction on use or sale that runs with property regardless of the existence of privity between the person creating the servitude and the person bound by it. For centuries, the law has refused to enforce servitudes on personal property. This contrasts with real property, where servitudes have become generally accepted.

Differences between real and personal property account for the recognition of servitudes in the former but not the latter. Notice of a restriction is easier to provide in the context of land, where the location of the property is fixed and where there is a centralized recordation system to memorialize transactions creating use or sale restrictions. Personal property, however, is comparatively cheaper than real property and cannot absorb increased transaction costs of the kind associated with a thorough title search and formalized recording. Personal property must be freely exchanged without the need for costly investigations and title verifications.

By its holding that “[a]pplying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder” (PA14a),

the Federal Circuit has created an impermissible exception to the exhaustion doctrine for self-replicating technologies. By doing so, that court has improperly usurped the role of Congress in weighing competing interests in determining the proper scope of patent rights.

Since the 1980s, when utility patent rights in seeds were first recognized, Congress has provided no exception to the exhaustion doctrine for seeds, let alone any other self-replicating technology. Twenty-five years of congressional silence is noteworthy because, where Congress intended special exceptions to the first-sale doctrine in copyright law, it signaled as much through industry-focused legislation.

Not only has Congress provided industry-focused exceptions to the first-sale doctrine for copyrights, it has passed specific legislation providing protection for certain sexually reproducing plant varieties in the Plant Variety Protection Act (“PVPA”). The PVPA includes specific exceptions for the use of first-generation and progeny seeds. These exceptions were the result of legislative action that considered the viewpoints of several competing stakeholders, including farmers, plant breeders, and the general public. No specific exceptions exist in the Patent Act because there is general, plenary exhaustion delimiting substantive rights conferred by it.

Patentees of self-replicating technologies have adequate contractual remedies to protect their interests in the use and resale of these technologies. Unlike seeds sold by grain elevators, most self-replicating technologies are not distributed as commodities. Thus, a ruling in *Bowman*’s favor will not create a situation where patentees are unable to obtain enforceable contractual

promises restricting their purchasers' use and resale of such technologies. Further, Monsanto may enter into contracts with grain elevators and require them to impose contractual restrictions against planting on purchasers of commodity grain.

Moreover, commodity grain does not directly compete with first-generation seeds given the mixed, impure character of commodity grain. A farmer buying commodity grain for planting cannot sell his progeny in competition with Monsanto given its mixed character and unknown ancestry. Accordingly, any claim that a ruling in Bowman's favor would "eviscerate" Monsanto's patent rights is an exaggeration.

Finally, if contract law is the exclusive means by which patentees may restrict use and resale of self-replicating technologies, transactions involving these articles will be subject to antitrust scrutiny, which benefits the public.

ARGUMENT

I. THE AUTHORIZED SALE OF PATENTED SEEDS BY ANYONE HAVING RIGHTS UNDER THE PATENT TO SELL EXHAUSTS PATENT RIGHTS

A. A Patentee's Statutory Right to Exclude Others from Using, Offering for Sale, and Selling the Invention Is Exhausted by an Authorized Sale

The patent statute gives patentees the "right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. § 154(a)(1). This Court's longstanding patent-exhaustion doctrine delimits a

patentee's statutory rights following an authorized sale of the invention. See *Quanta*, 553 U.S. at 625.

Over 150 years ago, in *McQuewan*, this Court drew a critical distinction between purchasers of “the exclusive privilege of making or vending” a patented product and purchasers of the product itself “for the purpose of using it in the ordinary pursuits of life” 55 U.S. at 549. *McQuewan* explained that when a patented article “passes to the hands of the purchaser, it is no longer within the limits of the [patent] monopoly. It passes outside of it, and is no longer under the protection of the act of Congress.” *Id.*

In *Adams v. Burke*, this Court further distinguished purchasers of patented articles from assignees or licensees of the patentee's exclusive rights. 84 U.S. at 455–56. The patent in *Adams* covered an improvement in coffin-lids. *Id.* at 456. The patentee assigned its patent rights (e.g., to make, use, and sell) within a ten-mile radius around Boston to Lockhart & Seelye and assigned its remaining patent rights to Adams. *Id.* at 454. Burke purchased patented coffin-lids from Lockhart & Seelye inside the ten-mile radius but used them outside of that radius. *Id.* Adams sued Burke for patent infringement. *Id.*

Deciding in Burke's favor, this Court explained that “when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article . . . passes without the limit of the monopoly.” *Id.* at 456. After purchasing the patented articles in full compliance with the patentee's assignments, the sale was “authorized”

notwithstanding use by Burke outside the ten-mile radius around Boston. *See Hobbie v. Jennison*, 149 U.S. 355, 361 (1893) (explaining that both buyer and seller in *Adams* knew that “a use outside of the territory is intended”).

Hobbie involved a similar geographic restriction on a patentee’s exclusive licensee for a patent on improved pipes. 149 U.S. at 356–57. *Hobbie* was the patentee’s exclusive licensee in several states, including Connecticut. *Id.* at 356. *Jennison* was the exclusive licensee for Michigan. *Id.* *Jennison* manufactured pipes incorporating the invention in Michigan and delivered them to a purchaser in Michigan. *Id.* The purchaser, however, transported and used the pipes in *Hobbie*’s territory—Connecticut. *Id.* at 356–57. *Hobbie* sued *Jennison* for patent infringement, alleging that *Jennison* knew that his purchaser intended to use the pipes in Connecticut. *Id.* at 357.

Relying on *Adams*, this Court concluded that the licensee’s knowledge about his purchaser’s intentions was irrelevant and decided the case in *Jennison*’s favor. *Id.* at 363; *see also Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895) (stating that “as between assignees of different parts of the territory, it is competent for one to sell the patented articles to persons who intend, with the knowledge of the vendor, to take them for use into the territory of the other”). This Court also explained that the patentee’s recourse in such situations could be found in contract law. *See Hobbie*, 149 U.S. at 363.

In 1912, however, this Court briefly departed from its patent-exhaustion case law. In *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912), *overruled by Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, 243 U.S. 502 (1917),

this Court redefined exhaustion as involving implied-license principles. It stated that “if the right of use be confined by specific restriction, the use not permitted is necessarily reserved to the patentee.” *Id.* at 24. Under *A.B. Dick*, where a purchaser of a patented product engages in use reserved by the patentee, it has violated the patent and is liable for infringement. *Id.* at 24–25.

A.B. Dick came under swift criticism. In 1913, this Court’s decision in *Bauer & Cie. v. O’Donnell*, 229 U.S. 1 (1913), attempted to confine *A.B. Dick* to restrictions on using, as opposed to reselling, a patented product. *Id.* at 14–17. *Bauer* held that a notice to purchasers that the patented product “is licensed by us for *sale* and *use* at a price not less than one dollar” was not enforceable against buyers that resold the product for less than the listed price. *Id.* at 8 (emphasis added). Despite the dual restriction on sale and use, this Court construed the restriction as applying only to the right to sell. *Id.* at 16 (calling it a “perversion of terms” to view the restriction as one on use rather than sale).

Relying on similarities between the patent and copyright statutes, and precedent where it had refused to enforce resale restrictions under the copyright first-sale doctrine, this Court held that a patentee is not authorized to fix the price at which a patented product is sold after its first sale. *Id.* at 12–13 (citing *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908)). *Bauer* therefore distinguished *A.B. Dick*, reasoning that “the rights and privileges which [the Patent Act] . . . bestow[s]” should not be extended by judicial construction beyond what Congress intended. 229 U.S. at 10.

Four years after *Bauer*, this Court expressly overruled *A.B. Dick* in *Motion Picture Patents*. The patentee there attempted to restrict the use of movie projectors incorporating a patented improvement through a notice affixed to the projectors stating that they be used solely with designated, but unpatented, film types. 243 U.S. at 506–08. Purchasers therefore could only use the machines with films leased from the patentee, which also retained the right to fix additional terms and restrictions on purchasers after they bought patented projectors. *Id.*

This Court confirmed that “[t]he statutory authority to grant the exclusive right to ‘use’ a patented machine is not greater, indeed it is precisely the same, as the authority to grant the exclusive right to ‘vend’” the patented product. *Id.* at 516. Having decided that the exclusive rights of use and sale under the Patent Act do not differ in scope, and again relying on copyright precedent, this Court held that patented products, upon being “sold and paid for,” are no longer subject “to any restrictions or conditions as to use or royalty which the [patentee] company which authorized its sale may see fit . . . to impose.” *Id.* at 515.

In *Univis*, this Court confirmed that patentees cannot rely on patent law to restrict purchasers from using or reselling patented products following authorized sales. 316 U.S. at 248–51. Univis Corporation owned several patents covering eyeglass lenses. *Id.* at 243. It licensed Univis Lens Company to manufacture and sell lens blanks to three classes of licensees: wholesalers, finishing retailers, and prescription retailers. *Id.* at 243–44. Each of the three classes of licensees that purchased lens blanks from the Univis Lens Company entered into license agreements with the patentee, Univis Corporation. *Id.* at 244. Under

the agreements, the licensees promised, among other things, not to sell finished eyeglass lenses prepared from the lens blanks below specified minimum resale prices. *Id.* at 244–45.

The United States accused the Univis entities of violating the antitrust laws through resale-price restrictions on completed lenses prepared from the lens blanks. *Id.* at 242–43. The Univis entities argued that the transactions between them and wholesalers and retailers were valid patent licenses, protected from antitrust scrutiny by the patent grant. *See id.* at 248–49, 254. This Court disagreed because the sale of products embodying the invention—the lens blanks—exhausted Univis Corporation’s patent rights to those blanks and finished lenses made from them. *Id.* at 250–51.

While *Univis* concerned the legality of a distribution arrangement involving patented products under antitrust law, its exhaustion analysis did not rest on antitrust law. Instead, the Court considered whether the patent grant shielded the patentee’s conduct—resale price fixing—from antitrust scrutiny, deeming the resale-price restrictions open to antitrust review only after concluding that the patentee’s rights were exhausted. *Id.* at 250–51.

In *Quanta*, this Court confirmed that the articulation of the exhaustion doctrine in *Univis* applies in the context of patent infringement. *Quanta*, 553 U.S. at 631 (stating that “*Univis* governs this case”).

Since 1992, with its decision in *Mallinckrodt*, the Federal Circuit has improperly limited the exhaustion doctrine in a manner similar to the long-rejected rationale

of *A.B. Dick*. According to Federal Circuit law, patent exhaustion does not apply to an expressly conditional sale. See *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc) (stating that “[a]s a general matter, the unconditional sale of a patented device exhausts the patentee’s right to control the purchaser’s use of the device” and “[t]hat [the] ‘exhaustion’ doctrine does not apply, however, to a conditional sale or license”); see also *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1426 (Fed. Cir. 1997); *Mallinckrodt*, 976 F.2d at 708–09.

In *Mallinckrodt*, the patentee manufactured and sold to hospitals a medical device consisting of a manifold and nebulizer assembly used for lung scans, where the manifold contained a “single use only” restriction. 976 F.2d at 701. The devices were capable of reuse after reconditioning, which consisted primarily of cleaning them. *Id.* at 702. Accordingly, many hospitals purchased the products and, after using them, sent them to Medipart for reconditioning. *Id.* The patentee sued Medipart for patent infringement. *Id.* Despite the existence of authorized sales from the patentee to hospitals, the Federal Circuit decided that the “single use only” restriction was enforceable in a patent-infringement action. *Id.* at 708–09.

To reach that result, the Federal Circuit adopted an improperly narrow reading of this Court’s exhaustion decisions, concluding that post-sale restrictions only trigger exhaustion in cases raising antitrust or patent-misuse concerns. *Id.* at 704 (concluding that this Court’s exhaustion cases merely establish that “price-fixing and tying restrictions accompanying the sale of patented goods were *per se* illegal”). The Federal Circuit held that “[t]he appropriate criterion is whether Mallinckrodt’s

restriction is reasonably within the patent grant, or whether the patentee has ventured beyond the patent grant and into behavior having an anticompetitive effect not justifiable under the rule of reason.” *Id.* at 708.

Under this reasoning, the Federal Circuit dismissed the broader application of this Court’s exhaustion cases to *any* authorized sale, characterizing the cases as including language “of exceedingly broad reach” and saying “general expressions, in every opinion . . . ought not to control the judgment in a subsequent suit when the very point is presented for decision.” *Id.* at 708 n.8. Otherwise stated, the Federal Circuit read this Court’s exhaustion cases as including substantial dicta. But when the Federal Circuit in *Mallinckrodt* “says that this is dictum, it is merely saying in a peculiar manner that it does not like the Supreme Court’s reasoning and thinks that the Court should have held something else—that it should have reached its end result by a different conceptual route.” Richard H. Stern, *The Unobserved Demise of the Exhaustion Doctrine in U.S. Patent Law: Mallinckrodt v. Medipart*, 15 Eur. Intell. Prop. Rev. 460, 465 (1993).

The Federal Circuit’s limitation in *Mallinckrodt* of this Court’s exhaustion cases as turning on antitrust or patent-misuse concerns is wrong. In several of this Court’s exhaustion cases, it upheld otherwise potentially anticompetitive restrictions because they arose in the context of *licenses*, rather than after authorized *sales*. See, e.g., *United States v. Gen. Elec. Co.*, 272 U.S. 476, 489–94 (1926); *E. Bement & Sons v. Nat’l Harrow Co.*, 186 U.S. 70, 88–94 (1902). If this Court focused solely on the price-fixing or tying restraints at issue in such cases, without regard to whether they accompanied sales or

licenses, the cases would have been decided differently. If, as the Federal Circuit seems to believe, exhaustion turns on antitrust or patent-misuse policies, price-fixing and tying restrictions in this Court's prior cases involving licenses should have been subject to scrutiny. Instead, they were upheld.

Not only did *Mallinckrodt* improperly confine this Court's exhaustion cases to situations where post-sale restrictions were invalid under antitrust law, but it also incorrectly applied *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544 (1873). See *Mallinckrodt*, 976 F.2d at 707. In *Mitchell*, the patentee conveyed to the grantee the right to make, use, and sublicense (but not to sell) the patentee's invention (a machine for felting hats) in Massachusetts and New Hampshire during the remainder of the original patent term. 83 U.S. at 545. The agreement expressly prohibited the grantee from licensing others to use the machines beyond the original patent term. *Id.* Despite this restriction, the grantee purported to *sell* four patented machines to Mitchell. *Id.* at 549. Hawley, the owner of the patent's extended term in Massachusetts and New Hampshire, sued to enjoin Mitchell's continued use of the machines during the patent's extended term. *Id.* at 546.

The lower court granted Hawley's request for an injunction, and this Court affirmed. *Id.* The Court noted that the grantee-seller had been a mere "licensee and never had any power to sell a machine so as to withdraw it indefinitely from the operation of the franchise secured by the patent." *Id.* at 551. Further, Mitchell did not have the right to use the machines during the patent's extended term regardless whether he had notice of the grantee's limited rights or not. *Id.* This Court held that "the law

imposes the risk upon the purchaser, as against the real owner, whether the title of the seller is such that he can make a valid conveyance.” *Id.* at 550.

While the *Mitchell* court did not apply exhaustion principles—because no authorized sale occurred—it did state that “where the sale is absolute, and *without any conditions*, the rule is well settled that the purchaser may continue to use the implement or machine” indefinitely. *Id.* at 548 (emphasis added). The Federal Circuit in *Mallinckrodt* improperly read this statement concerning “conditions” and other similar statements in *Mitchell* as permitting a reservation of patent rights where the patentee places post-sale restrictions on the patented product’s use or resale. This reading of *Mitchell* is incorrect because a “conditional sale” during this time would have been understood to be an “agreement to sell” where *title does not pass* until performance of a condition precedent. *See, e.g., Harkness v. Russell & Co.*, 118 U.S. 663, 666–67 (1886) (equating the phrase “conditional sale” with an agreement to sell upon performance of a condition precedent).

B. Conditions in a License Agreement May Be Enforced by Patent Law Where Restrictions on Authorized Purchasers Cannot Be so Enforced

Where a patentee licenses someone else to make patented products, the patentee may retain rights under the patent to control the terms upon which the products are sold. *See, e.g., Bement*, 186 U.S. at 91. In *Bement*, this Court upheld a resale-price restriction imposed on a manufacturing licensee. “The owner of a patented article can, of course, charge such price as he may choose, and the owner of a patent may assign it, or sell the right

to manufacture and sell the article patented, upon the condition that the assignee shall charge a certain amount for such article.” *Id.* at 93.

Similarly, in *General Electric*, this Court stated that it was “well settled” that a patentee “can exercise no future control over what the purchaser may wish to do with the article” after an authorized sale, but that “the question is a different one which arises when we consider what a patentee who grants a license to one to make and vend the patented article may do in limiting the licensee in the exercise of the right to sell.” 272 U.S. at 489–90.

In *General Talking Pictures Corp. v. Western Electric Co.*, 304 U.S. 175 (1938), *aff’d on reh’g*, 305 U.S. 124 (1938), this Court held that if a purchaser knowingly buys from a manufacturing licensee in violation of a restriction in the license, both the licensee and the purchaser may be sued for infringement. In such circumstances, the sale is unauthorized, the purchaser is not “a purchaser in the ordinary channels of trade,” and exhaustion does not apply. 304 U.S. at 180–82.

In the opinion issued after rehearing, this Court in *General Talking Pictures* emphasized that it was not ruling on whether a patentee can enforce a post-sale restriction on use against a purchaser, by suing for infringement, where the device the purchaser buys is (1) “manufactured under the patent” and (2) sold in the “ordinary channels of trade.” 305 U.S. at 125. The seller in *General Talking Pictures* knew it was not authorized by the patentee to sell the patented amplifiers to a commercial purchaser, and the purchaser likewise knew the sale was unauthorized. *Id.* at 126–27. On these facts, *General Talking Pictures* stands for the limited proposition that where a patentee

licenses a manufacturer to make and sell the invention, the patentee can validly restrict that manufacturing licensee’s ability to sell and enforce that restriction under the patent laws when the sale is *unauthorized*.

The *General Talking Pictures* principle is consistent with *Mitchell*, and with the sound observation in *Bement* that the patentee is free to decide to whom it wishes to sell (and on what terms). “Restrictions on the purchasers of patented goods, however, cannot be viewed as equivalent to [self-imposed] restrictions on the patentee itself.” Mark R. Patterson, *Contractual Expansion of the Scope of Patent Infringement Through Field-of-Use Licensing*, 49 Wm. & Mary L. Rev. 157, 165 (2007).

The Federal Circuit in *Mallinckrodt* did not read *General Talking Pictures* consistently with this Court’s exhaustion decisions. Instead, it read *General Talking Pictures* as permitting enforcement of “legal” post-sale restrictions by patent law, ignoring that *General Talking Pictures* involved unauthorized sales. *Mallinckrodt*, 976 F.2d at 704 (citing *Bauer*, 229 U.S. at 17; *Straus v. Victor Talking Mach. Co.*, 243 U.S. 490, 501, 516 (1917); *Boston Store of Chi. v. Am. Graphophone Co.*, 246 U.S. 8, 25 (1918)) (reasoning that “[t]hese cases did not hold, and it did not follow, that all restrictions accompanying the sale of patented goods were deemed illegal”). The Federal Circuit’s position, as articulated in *Mallinckrodt*, conflicts with over 150 years of this Court’s exhaustion decisions and should be expressly overruled.³

3. The Government agrees that Federal Circuit exhaustion law as articulated in *Mallinckrodt* conflicts with this Court’s exhaustion decisions. U.S. Amicus Br. 6.

**C. This Court’s Exhaustion Cases Mandate
a Finding of Exhaustion for Any Seeds
Purchased in an Authorized Sale**

**1. Authorized Sales by Monsanto or a
Licensed Seed Producer**

When Monsanto or one of its licensed seed producers (e.g., Pioneer) sells first-generation seeds, Monsanto attempts to reserve patent rights and enforce restrictions in its Technology Agreement under patent law. A0289. To control use of Roundup Ready® seeds by farmers, Monsanto relies on the Federal Circuit’s decision in *Mallinckrodt*. See Dckt. #73-2 at 10. But according to this Court’s exhaustion cases, Monsanto cannot assert patent law to control use or distribution of Roundup Ready® seeds sold to a farmer in an authorized sale. See *supra* § I.A.

Monsanto attempts to characterize the transactions with farmers buying Roundup Ready® seeds as a “license” to make the invention. Br. of Pls.-Appellees 11, *Bowman*, 657 F.3d 1341 (No. 2010-1068) (referring to the Technology Agreement as a “limited license allowing the grower to only grow and harvest one commercial crop”). This characterization is false. Monsanto *sells* first-generation seeds to farmers.

According to this Court’s cases, the transaction between Monsanto or one of its seed producers and farmers is a sale. In *Bauer*, the patented article was a protein called Sanatogen. 229 U.S. at 8. Sanatogen was sold in packages bearing a “Notice to the Retailer” that stated that “[t]his size package of Sanatogen is *licensed* by us for sale and use at a price not less than one dollar”

and “[a]ny sale in violation of this condition, or use when so sold, will constitute an infringement of our patent” *Id.* (emphasis added). The notice further stated that “[a] purchase is an acceptance of this condition. All rights revert to the [company] in the event of a violation.” *Id.* at 8–9.

Concluding that there was an exhausting sale, this Court said that “it is a perversion of terms to call the transaction in any sense a license to use the invention.” *Id.* at 16. It explained that “[t]he patentee had no interest in the proceeds of the subsequent sales, no right to any royalty thereon or to participation in the profits thereof.” *Id.* Further, it concluded that “[t]he packages were sold with as full and complete title as any article could have when sold in the open market, excepting only the attempt to limit the sale or use when sold for not less than one dollar.” *Id.* Because there was “no showing of a qualified sale for less than value for limited use with other articles only,” it reasoned that “to call the sale a license to use is a mere play upon words.” *Id.*

Similarly, to call the sale of seeds by Monsanto or one of its seed producers a license is “a mere play upon words.” There is no provision in Monsanto’s agreements purporting to create a reversionary interest in Roundup Ready® seeds upon a violation of a restriction. Unused seeds are not required to be returned to Monsanto or a seed producer. In fact, Bowman testified at his deposition that he was not aware of any obligation to return unused seed. He further testified that it was his understanding that seed dealers would not accept returns of unused seeds where a seed bag’s seal had been broken. A0336–37 at 56:20–58:13. Further, nothing in the relevant agreements

limits a farmer's right to destroy the seeds at any time and the farmer is under no affirmative obligation to plant them.

The agreements here also expressly acknowledge that Roundup Ready® seeds are “purchased.” For example, the agreements specify that a farmer receives either the “[o]ppportunity” or “license” to “*purchase* and plant seed” containing Monsanto's patented technology. *See, e.g.*, A0284; A0288; A0305 (emphasis added). Notably, Missouri law, which governs the Monsanto Technology Agreements and the Monsanto Technology/Stewardship Agreements, defines “purchase” as “taking by sale, discount, negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift or any other voluntary transaction creating an interest in property.” Mo. Ann. Stat. § 400.1-201(32) (West 2012).

The transaction between Monsanto (or a licensed seed producer) and a farmer is a sale. Once the seeds “pass[] to the hands of” the farmer, the seeds are “no longer within the limits of the [patent] monopoly.” *See McQuewan*, 55 U.S. at 549. Rather, they “pass[] outside of it, and [are] no longer under the protection of the act of Congress.” *Id.*

2. Authorized Sales by Farmers to Grain Elevators

Even if farmers are considered licensees of Roundup Ready® seeds, once they grow progeny seeds they are authorized by Monsanto to *sell* those seeds to grain elevators. Before the district court, Monsanto admitted that farmers “can sell it [e.g., progeny seeds] to a local grain elevator as a commodity” A0494. Monsanto again admitted during oral argument at the Federal Circuit

that sales by farmers to grain elevators are authorized. When Judge Dyk asked whether a farmer “exceed[s] the license by selling to the grain elevator without securing a promise from the grain elevator not to sell the seeds for planting,” Monsanto’s counsel responded, “No, I don’t think the grower is exceeding his authority there . . . that is a channel of commerce that Monsanto has authorized.” Oral Argument Recording at 19:34–20:14, *Bowman*, 657 F.3d 1341 (No. 2010-1068), *available at* <http://www.cafc.uscourts.gov/oral-argument-recordings/2010-1068/all>.

Further, farmers who sell progeny seeds to grain elevators do not place, and Monsanto does not require them to place, restrictions on those sales. PA39a (explaining that *Bowman* “planted progeny soybeans contained in commodity soybeans which had been sold to grain dealers without restriction”). In short, Monsanto makes no attempt to control sales made by farmers of their Roundup Ready® progeny seeds to grain elevators.

3. Authorized Sales by Grain Elevators

Monsanto also authorizes grain elevators to sell Roundup Ready® progeny seeds as part of the undifferentiated mixture of grain available for purchase. A0494. Accordingly, *Bowman* purchased commodity seeds in sales Monsanto authorized. Monsanto argues, however, that grain elevators are not authorized to sell grain (which includes Roundup Ready® commodity seeds) for planting. A0494. This argument is unsupported by this Court’s exhaustion cases.

As this Court indicated in *Adams*, whether a sale is “authorized” by the patentee does not depend on the

purchaser’s subjective, often unexpressed intent; and it is not based on what occurs *after* the sale. *See* 84 U.S. at 456–57. In this sense, Bowman does not differ from the purchasers in *Adams* and *Hobbie*. In each of those cases, the purchaser intended to use the patented product in a manner that the patentee asserted was unauthorized. *See Adams*, 84 U.S. at 456–57; *Hobbie*, 149 U.S. at 360–61. And in *Hobbie*, this Court determined that the purchaser’s subjective intent to use the patented product in a manner or place unauthorized by the patentee was irrelevant. 149 U.S. at 363.

The circumstances here are similar to those in *Adams*. There, the patent assignee with the rights to make, use, and sell within the ten-mile radius around Boston did *not* have the right to use the patented coffin-lids outside that radius. 84 U.S. at 456. But after it made an authorized sale of them *within* the ten-mile radius, the purchaser benefited from the exhaustion doctrine and had full use rights outside that boundary. *Id.* The authorized nature of the sale vested full use rights in the purchaser. *Id.* Likewise, the authorized nature of sales to grain elevators results in the elevators having full use and sale rights, notwithstanding any restrictions Monsanto attempts to place on farmers who sell second-generation seeds to grain elevators.

Here, as in *Adams*, the sales were authorized at the point of sale and were not infringing. “*Quanta* clearly and unambiguously holds that patent exhaustion follows as a matter of law from any ‘authorized’ (*i.e.*, non-infringing) sale” Thomas G. Hungar, *Observations Regarding the Supreme Court’s Decision in Quanta Computer, Inc. v. LG Electronics, Inc.*, 49 IDEA 517, 530–31

(2009). Importantly, the sales at issue here are unlike those at issue in *General Talking Pictures*, which were unauthorized by the patentee at the point of sale. 304 U.S. at 180; 305 U.S. at 126–27.

II. EXHAUSTION OF PATENT RIGHTS FOR SEEDS SOLD UNDER AUTHORITY OF THE PATENT OWNER APPLIES TO PROGENY SEEDS GROWN THROUGH LAWFUL USE

A. Like Method Claims, Subsequent Generations of Seeds Are “Embodied” in Seeds Sold in Sales Authorized by Monsanto

In *Quanta*, this Court held that method claims could be exhausted, even though “a patented method may not be sold in the same way as an article or device” 553 U.S. at 628. Despite that difference, this Court held that “methods nonetheless may be ‘embodied’ in a product, the sale of which exhausts patent rights.” *Id.* This rule is consistent with the fundamental notion that a patentee “receives nothing from the law that he did not have before, and . . . the only effect of the patent is to restrain others from manufacturing and using that which he has invented.” *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424 (1908) (citing *United States v. Bell Tel. Co.*, 167 U.S. 224, 249 (1897)). Thus, the patent right exhausted by the sale of a product embodying a patented method is the right to exclude others from using that product to practice the invention. Once a patentee sells a product embodying a patented method, the patentee loses the ability to restrict use of that product to practice the invention.

This rule applies to the sale of patented seeds. As in *Quanta*, the seeds at issue here embody all inventive

aspects of the asserted claims. A0281 ¶ 6. By authorizing the sale of patented seeds, Monsanto has authorized the sale of an article that can be used to practice the claimed inventions because seeds will self-replicate by normal use. Indeed, planting is the *only* intended use for first-generation Roundup Ready® seeds.

Attempting to distinguish this Court’s holding in *Quanta*, the Federal Circuit concluded that the seeds at issue here do not substantially embody all later generations “because nothing in the record indicates that the ‘only reasonable and intended use’ of commodity seeds is for replanting them to create new seeds.” PA14a (citing *Quanta*, 553 U.S. at 631). In reaching that conclusion, the Federal Circuit noted that commodity seeds have “various uses . . . including use as feed.” *Id.* But that reasoning fails to account for the fact that commodity seeds are the progeny of first-generation Roundup Ready® seeds sold by Monsanto or its licensed seed producers with only one intended use—planting. The rule in *Quanta* should be applied to the first authorized sale of an article embodying the invention. Here, that first authorized sale is the sale of first-generation Roundup Ready® seeds.

More importantly, however, the discussion in *Quanta* about whether the components at issue had a use apart from practicing the invention concerned “the extent to which a product must embody a [method] patent in order to trigger exhaustion.” 553 U.S. at 630. Here, with respect to the asserted product claims,⁴ there is no need to engage in that inquiry because the patented seeds *completely*

4. With the exception of method claim 130 of the ’247E patent, all asserted claims are product claims. *See supra* STATEMENT OF THE CASE § A.2.

embody all features of the claimed inventions. A0280. The seeds are not “incomplete” or “unfinished” articles that merely embody “essential features” of the claimed inventions. Roundup Ready® seeds have been engineered to include everything one needs to practice the invention, and they will self-replicate.

Further, the Federal Circuit’s position as to what constitutes a use sufficient to avoid the rule in *Quanta* threatens to eliminate that rule altogether. For example, the “use” discussed in *Quanta* was not any conceivable use; it was use providing utility apart from “‘practicing the patent,’ not whether those uses are infringing.” *Id.* at 632 n.6 (quoting *Univis*, 316 U.S. at 249). LG argued that the components at issue could be used overseas, used as replacement parts, or engineered so that use with non-Intel products would disable the patented features. This Court rejected those arguments because “[a] microprocessor or chipset cannot function until it is connected to buses and memory.” *Id.* at 632. Therefore, the Federal Circuit’s attempt to distinguish *Quanta* because commodity seeds could be used for feed fails to answer the fundamental question regarding whether commodity seeds have a utility apart from “practicing the patent.”

Whether Roundup Ready® seeds are planted or not, they still “practice the patent” under the reasoning employed in *Quanta* because they contain the claimed DNA sequence providing for glyphosate resistance. They cannot function at all until they are planted. As this Court concluded in *Quanta*, it makes no difference whether the patented features in the product are actually in operation; exhaustion results from the mere presence of the patented features in the product, even if they are inoperable. *Id.*

at 632 n.6 (suggesting that exhaustion would still apply where patented features were disabled). Therefore, the seeds at issue here practice the asserted product claims.

As for method claim 130 in the '247E patent, the seeds embody the essential features of the invention. Claim 130 concerns a weed-control method with two steps: (a) planting a seed or plant containing the Roundup Ready® trait; and (b) applying glyphosate to control weeds. SA19 col.165 l.49–col.166 l.5. Planting seeds has been known for generations, and glyphosate has been used to control weeds for decades—long before the '247E patent's earliest filing date. *See* Monsanto, *History of Monsanto's Glyphosate Herbicides*, http://www.monsanto.com/products/Documents/glyphosate-background-materials/back_history.pdf (last visited Nov. 30, 2012); SA9. Simply put, after obtaining Roundup Ready® seeds, the only thing needed to practice method claim 130 is “the application of common processes . . .” *Quanta*, 553 U.S. at 633. Therefore, the seeds “substantially embod[y]” the claimed invention, and their sale exhausts Monsanto's right to exclude use of these self-replicating products to practice the invention. *Id.*

B. Use of Seeds for Planting Cannot Properly Be Considered “Making” the Invention

According to the Federal Circuit, planting a patented seed—even one purchased in a sale authorized by the patentee—is an act of infringement because it violates the patentee's right under 35 U.S.C. § 154 to exclude others from “making” the invention. PA14a. It is well settled that the exhaustion doctrine does not extend to the right to “make” a new product. *See Aro Mfg. Co. v. Convertible Top*

Replacement Co., 365 U.S. 336, 346 (1961). The Federal Circuit concluded that “once a grower, like Bowman, plants the commodity seeds containing Monsanto’s Roundup Ready® technology and the next generation of seed develops, the grower has created a newly infringing article.” PA14a. Rejecting Bowman’s exhaustion defense, the Federal Circuit compared Bowman’s use of commodity seeds for planting to impermissible “reconstruction” of the invention, citing *Jazz Photo Corp. v. International Trade Commission*, 264 F.3d 1094, 1102 (Fed. Cir. 2001). PA14a.

Bowman’s use of commodity seeds for planting has nothing in common with “reconstruction.” No parts were worn out and replaced; the seeds were simply used. In the context of patented seeds, use as contemplated by all parties to the first sale may simply *result in* the creation of a new item. The Federal Circuit’s “reconstruction” reasoning also conflicts with the policy underlying this Court’s case law. “This Court’s decisions specifically dealing with whether the replacement of an unpatented part, in a patented combination, that has worn out, been broken or otherwise spent . . . have steadfastly refused to extend the patent monopoly beyond the terms of the grant.” *Aro*, 365 U.S. at 342 (citing *Wilson v. Simpson*, 50 U.S. (9 How.) 109, 123 (1850)).

In its brief supporting Monsanto and arguing for denial of certiorari, the Government took the Federal Circuit’s “reconstruction” argument in a wholly new direction by arguing that when planting a patented seed, “the purchaser ‘uses’ the sold article to ‘make’ a newly infringing one.” U.S. Amicus Br. 14 (citing *Am. Cotton-Tie Co. v. Simmons*, 106 U.S. 89, 93–94 (1882)). This use-to-make theory seeks to carve out *permissible* and

impermissible uses under patent law for articles subject to the exhaustion doctrine, and it enjoys no support in the Patent Act or in this Court’s exhaustion case law.

The Government also advanced an overly broad definition of the word “make” in the Patent Act. According to the Government, “make” as used in the Patent Act should mean “to bring about,” “to cause to happen,” or “to cause to exist, occur, or appear.” U.S. Amicus Br. 15. The Government’s definition of “make,” however, is inconsistent with use of that word in the Patent Act.

Although the Patent Act does not define “make,” it does separate direct infringement under § 271(a) from both forms of indirect infringement; namely, induced infringement under § 271(b) and contributory infringement under § 271(c). *See* 35 U.S.C. § 271(a)–(c). Both forms of indirect infringement hold liable those who contribute to or encourage the direct infringement of others. *See, e.g., Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. ___, 131 S. Ct. 2060, 2066 (2011). In particular, § 271(b) provides that whoever induces another’s direct infringement is also liable for infringement. And § 271(c) provides that whoever supplies components to another knowing that the components will be used in an infringing combination is also liable for infringement. Thus, under § 271(b) and § 271(c), a person is liable for indirect infringement if they “bring about” or “cause” infringement by another.

In contrast, § 271(a) addresses direct infringement and provides that whoever “makes” a patented invention directly infringes the patent. But under the Government’s definition of “make,” whoever “brings about” or “causes”

an infringing product to be assembled or produced by another “makes” the infringing product themselves. As an example, someone “brings about” or “causes” an infringing product when that person induces another to produce a patented product. As another example, someone “brings about” or “causes” an infringing combination when that person provides materials to another knowing that the other will assemble the infringing combination. Thus, indirect infringement occurs when someone “brings about” or “causes” induced infringement under § 271(b) or contributory infringement under § 271(c).

Consequently, the Government’s expansive definition of “make” encompasses *both* forms of indirect infringement. Anyone who “brought about” or “caused” infringement by another would be liable under § 271(a) as a direct infringer instead of under § 271(b) or § 271(c) as an indirect infringer. If that definition is adopted, then indirect infringement would be rendered superfluous. But an interpretation of one statutory provision that renders another provision in the statute superfluous is rarely, if ever, correct. *See, e.g., Bilski v. Kappos*, 561 U.S. ___, 130 S. Ct. 3218, 3228 (2010) (discussing “the canon against interpreting any statutory provision in a manner that would render another provision superfluous”).

The Government’s expansive definition of “make”—plucked from a dictionary—disregards the proper statutory context. As this Court explained, “A word in a statute may or may not extend to the outer limits of its definitional possibilities. Interpretation of a word or phrase depends upon reading the whole statutory text, considering the purpose and context of the statute” *Dolan v. U.S. Postal Serv.*, 546 U.S. 481, 486 (2006)

(adopting a narrow interpretation of the phrase “negligent transmission” based primarily on statutory context). Moreover, when interpreting the Patent Act, this Court has frequently rejected the position of litigants who proposed expansive interpretations of undefined words. For example, this Court has said:

It follows that we should not expand patent rights by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. We would require a clear and certain signal from Congress before approving the position of a litigant who, as respondent here, argues that the beachhead of privilege is wider, and the area of public use narrower, than courts had previously thought.

Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972).

In cases where courts have construed “making” in the context of 35 U.S.C. § 154 and “makes” in the context of § 271, those terms have been narrowly interpreted to pertain to the act of creating an “operable assembly of the whole and not the manufacture of its parts.” *Deepsouth*, 406 U.S. at 528; *see also Radio Corp. of Am. v. Andrea*, 79 F.2d 626, 628 (2d Cir. 1935). Both *Deepsouth* and *Andrea* are instructive on how courts have construed “making” because they involve situations where a party was accused of direct infringement by manufacturing and shipping unassembled parts of a patented combination. These cases reject the notion that such activity can be fairly

considered “making” the invention because “we cannot say that the patented combination was complete *until physical connection is established . . .*” *Andrea*, 79 F.2d at 628 (emphasis added); *see also Deepsouth*, 406 U.S. at 529.

The seeds at issue here will self-replicate or “sprout” unless stored in a controlled manner to prevent this natural occurrence. Humans can (and most often do) assist in the process of self-replication. For instance, Bowman planted Roundup Ready® seeds and treated them with glyphosate. This activity led in part to the creation of new soybeans having the patented Roundup Ready® trait. But it was the planted soybean, not Bowman, that “physically connected” all elements of the claimed invention into an “operable whole.”

C. Title to Subsequent Generations of Seeds Vests with Farmers Who Lawfully Grow Those Seeds

Farmers who plant Roundup Ready® seeds purchased from Monsanto or its licensees lawfully own all progeny seeds. Those farmers have all traditional indicia of ownership in the progeny seeds, including title, possession, control, and the right to sell. *See United States v. Arnold, Schwinn & Co.*, 388 U.S. 365, 381 (1967), *overruled on other grounds by Cont’l T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36 (1977); *see also* Restatement (First) of Property §§ 5(e), 10(b) (1936). Those farmers also bear the risk of loss for the progeny seeds, entering into insurance agreements and paying insurance premiums to manage that risk. Risk of loss is a traditional indicator of title in personal property. *See Elgee Cotton Cases*, 89 U.S. (22 Wall.) 180, 194 (1875); *see also Schwinn*, 388 U.S. at 379–80.

Because a farmer who lawfully plants first-generation seeds owns the progeny seeds, exhaustion must apply to the progeny seeds for the same reasons that it applies to first-generation seeds purchased from Monsanto or its seed producers. In essence, exhaustion arises from any lawful title transfer. *See, e.g., Cornell Research Found., Inc. v. Hewlett-Packard Co.*, No. 01-cv-1974, 2007 WL 4349135, at *55 (N.D.N.Y. Jan. 31, 2007). An authorized sale by the patentee or a person having rights under the patent results in a lawful title transfer of the product sold and, in the case of self-replicating items, the byproducts of their use. Indeed, Monsanto does not appear to dispute that title to grown seeds rests with farmers and not Monsanto or its seed producers. That title vests in someone other than the seed seller amounts to exhaustion of patent rights in progeny seeds.

Although exhaustion generally arises in the context of a sale, it would presumably apply to a gift or lawful title transfer other than a sale. *See, e.g., UMG Recordings, Inc. v. Augusto*, 558 F. Supp. 2d 1055, 1059 (C.D. Cal. 2008) (explaining that, in the context of the copyright first-sale doctrine, “[a]lthough this statutory limitation is commonly referred to as the first sale doctrine, its protection does not require a ‘sale.’ The doctrine applies after the ‘first authorized disposition by which title passes.’ . . . This passing of title may occur through a transfer by gift.” (quoting 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B][1][a] and citing 4 William F. Patry, *Patry on Copyright* § 13:15)). The patentee’s action vesting title to a patented article in another constitutes the key element to the exhaustion doctrine’s application. *See Quanta*, 553 U.S. at 637; *Adams*, 84 U.S. at 456–57. By permitting title in progeny seeds to vest in farmers,

Monsanto has permitted exhaustion to apply to those seeds.

These principles apply with equal force to all progeny seeds grown from lawfully purchased seeds, including the progeny of commodity grain. Farmers such as Bowman who choose to plant commodity grain for their second crop lawfully own the next-generation seeds. They assume all risk of loss associated with both their purchased and grown seeds. And in the case of commodity grain used for planting second crops, farmers assume the risk that the unknown mixture of grain will produce a poor crop. JA173a. For the reasons discussed *supra* § I.C, exhaustion applies to all seeds sold in authorized sales. And because title in seeds that farmers grow vests with those farmers, exhaustion logically extends to those seeds as well.

D. Exhaustion of Patent Rights in Progeny Seeds Comports with Sound Policy Against Restraints on the Alienation of Personal Property

A determination that exhaustion applies to progeny seeds comports with the strong and longstanding policy against restraints on the alienation of personal property, which this Court has described as “hateful to the law from Lord Coke’s day to ours, because obnoxious to the public interest.” *Victor Talking Machine*, 243 U.S. at 501. The term “servitude” refers to a restraint on the alienation of property. *See* Restatement (Third) of Property § 1.1; *Black’s Law Dictionary* 1492 (9th ed. 2009); *see generally RCA Mfg. Co. v. Whiteman*, 114 F.2d 86, 88 (2d Cir. 1940) (applying the servitude concept to personal property).

Courts generally disallowed servitudes on personal property that purported to bind successive owners when the property was sold and resold. “American precedent is largely, if not quite exclusively, in accord” with the proposition that “one cannot create servitudes in personal property.” Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 Yale L.J. 1, 18 & n.68 (2000). “The common law, both in England and the United States, has traditionally favored the free alienation or transferability of property and looked askance at restrictions on alienation [servitudes], particularly if privately imposed.” C. Paul Rogers III, *Restraints on Alienation in Antitrust Law: A Past with No Future*, 49 SMU L. Rev. 497, 498 (1996). “Historically, restraints on alienation of personalty as well as real property were objectionable.” *Id.* at 499. As Lord Coke observed: “If a man . . . give his whole interest or property therein, upon condition that the donee or vendee shall not alien the same, the same is void, because the whole interest and property is out of him, so as he hath no possibility of reverter” 2 Coke, *Institutes of the Laws of England* § 360 (Day ed. 1812). Lord Coke’s observation applied to real property as well as personal property. *See* Rogers, *supra* at 499.

To be sure, the law regarding servitudes has evolved since Lord Coke’s time. Courts have realized that some servitudes, particularly those on real property, are necessary to preserve equity. But courts have always required notice of the servitude in some way, shape, or form. In *Tulk v. Moxhay*, the first case recognizing a servitude on land, the English Court of Chancery enforced against a purchaser of Leicester Square a restriction preventing the purchaser from building on the property.

(1848) 41 Eng. Rep. 1143, 1143–45 (Ch.). There, Tulk sold Leicester Square to Elms on the condition that it be maintained in a certain form as a public “pleasure ground” because after its sale Tulk continued to own homes and live around it. *Id.* at 1143. Forty years later, Moxhay bought Leicester Square from an intermediate purchaser and intended to build on it, and Tulk sought an injunction. According to the court, “[T]he question is . . . whether a party shall be permitted to use the land in a manner inconsistent with the contract entered into by his vendor, and with notice of which he purchased.” *Id.* at 1144. The court held that it could enforce the agreement in equity because Moxhay purchased the property with notice of the covenant, reasoning that Moxhay’s position should not differ from that of the previous owner who sold the property to him. *Id.* at 1143.

In the century-and-a-half since *Tulk*, a rather detailed body of law has developed around the creation and enforcement of servitudes on real property. The traditionally cautious judicial attitude toward servitudes rests primarily on a concern about sufficient notice. *See* Molly Shaffer Van Houweling, *The New Servitudes*, 96 Geo. L.J. 885, 893–95 (2008). Historically, doctrines such as “touch and concern,” the appurtenance requirement, and horizontal privity attempted to ensure notice by limiting servitudes to those that are readily discoverable. *See id.* at 896. In other instances, courts simply required a showing of adequate notice before enforcing a servitude. *Id.* But as mechanisms for ensuring notice developed, such as deed-recording systems and title-searching procedures, the traditional limitations on land servitudes gradually eroded. *Id.* at 906.

In contrast to the land servitudes, personal-property servitudes do not enjoy widespread recognition. Unlike land servitudes, courts have rarely upheld personal-property servitudes. *See* Glen O. Robinson, *Personal Property Servitudes*, 71 U. Chi. L. Rev. 1449, 1455 (2004). This rarity reflects the practical differences between real property and personal property. In particular, real property is usually held for a relatively long period of time and undergoes a rigorous title investigation before a transfer from seller to buyer. In contrast, personal property may change hands quickly in the stream of commerce, which makes possible interferences with these quick ownership transfers undesirable. Moreover, due to the lack of a comprehensive title search, a personal-property seller has far more difficulty than a real-property seller ensuring that downstream purchasers have notice of a restriction. Further, land-use restrictions may arise from the desire to protect a piece of real property as a unit, while no analogous purpose exists with respect to personal property. *See* Zechariah Chafee, Jr., *Equitable Servitudes on Chattels*, 41 Harv. L. Rev. 945, 985–86 (1928) (discussing justifications for treating land differently from personal property).

Perhaps most importantly, however, personal property typically costs less than land. Thus, potential purchasers, even with notice of a restriction, would be less likely to devote time and energy locating and studying the restrictive terms attached to personal property. *See* Merrill & Smith, *supra*, at 44–45 (discussing the costs of processing notice). Indeed, in *Victor Talking Machine*, this Court refused to enforce a restriction printed on a plate attached to record players because “not one purchaser in many would read such a notice, and . . . not one in a much

greater number, if he did read it, could understand its involved and intricate phraseology.” 243 U.S. at 501.

In the rare cases where courts have upheld restraints on personal property, the adequacy of the purchaser’s notice of the restraint played a key role in the court’s analysis. *See, e.g., Tri-Cont’l Fin. Corp. v. Tropical Marine Enters., Inc.*, 265 F.2d 619, 626 (5th Cir. 1959); *Nadell & Co. v. Grasso*, 346 P.2d 505, 507 (Cal. Dist. Ct. App. 1959).

Some courts, however, have declined to uphold restraints on personal property even though purchasers had notice of the restraint. For example, in *RCA Manufacturing Co. v. Whiteman*, RCA made and sold phonograph records that included a notice limiting use of phonographs for noncommercial purposes in homes. 114 F.2d at 87. Bruno-New York purchased records from RCA and resold them to W.B.O. Broadcasting, which used them to broadcast over its radio system. *Id.* The Second Circuit assumed that W.B.O. knew about the notice limiting use for noncommercial purposes. *Id.* It decided, however, that RCA had no power to impose a servitude on its records and that W.B.O. was “free to buy and use them in entire disregard of any attempt to do so.” *Id.* at 90.

Similarly, in *National Skee-Ball Co. v. Seyfried*, National made and sold arcade game machines under a license that precluded use of the machines in locations where its machines were already in operation. 158 A. 736, 736 (N.J. Ch. 1936). National sold two machines to Philips, who used them according to the license. *Id.* Subsequently, Seyfried purchased those machines and moved them to a location where other machines were already in operation.

Id. at 736–37. The court noted that Seyfried knew about the license restriction. *Id.* at 737. But it still decided that National could not enforce the restriction against Seyfried. *Id.* at 737–38.

This Court has consistently refused to decide cases in a way that would create restraints against alienation of personal property. *See Bauer*, 229 U.S. at 17; *see also Victor Talking Machine*, 243 U.S. at 494; *Dr. Miles Med. Co. v. John D. Park & Sons Co.*, 220 U.S. 373, 409 (1911), *overruled on other grounds by Leegin Creative Leather Prods., Inc. v. PSKS, Inc.*, 551 U.S. 877 (2007); *Bobbs-Merrill*, 210 U.S. at 351; *Keeler*, 157 U.S. at 666; *Adams*, 84 U.S. at 456.

The Federal Circuit’s decision here gives patentees greater rights than sellers of unpatented goods to restrict alienation of personal property. Indeed, under Federal Circuit law, patents provide greater rights to restrict alienation than other forms of intellectual property. *See James B. Kobak, Jr., Contracting Around Exhaustion: Some Thoughts About the CAFC’s Mallinckrodt Decision*, 75 J. Pat. & Trademark Off. Soc’y 550, 562 (1993) (noting that “a clear difference now exists” because of *Mallinckrodt* “between post-sale restrictions on patented goods on the one hand and those on copyrighted and trademarked goods on the other”). In essence, the Federal Circuit has created a new property right, never before recognized in over four centuries of property law: the personal-property servitude.

Property law has historically recognized a finite number of conveyable interests. *See generally* *Merrill & Smith, supra*; Henry Hansmann & Reiner Kraakman,

Property, Contract, and Verification: The Numerus Clausus Problem and the Divisibility of Rights, 31 J. Legal Stud. 373 (2002). If the law were to recognize each and every division by a property owner of the “bundle of sticks,” property transfers would become too complex and inefficient.

On the other hand, contract law allows parties to order their rights and relationships in a far more novel and complex manner than property law. Except in very limited situations, contract law also requires privity and agreement. The possibility of contract restrictions on the use of goods does not threaten to raise transaction or search costs the way that personal-property servitudes do. And nothing about the policy for or against such servitudes has anything to do with the goals of patent law, except in an arbitrary sense of providing patent owners with special rights that might somehow further increase rewards of invention.

Here, farmers sell progeny seeds to grain elevators—as authorized by Monsanto—without providing any notice to the grain elevators of restrictions on the use of those seeds. Similarly, when Bowman purchased commodity seeds from the grain elevator, he received no notice of any restrictions on the use of those seeds. *See* PA39a; Oral Argument Recording at 19:34–20:14, *Bowman*, 657 F.3d 1341 (No. 2010-1068), *available at* <http://www.cafc.uscourts.gov/oral-argument-recordings/2010-1068/all> (admitting that farmers sell to grain elevators without securing a promise that the grain elevators will not sell the seeds for planting). Bowman then used his purchased seeds in a natural and foreseeable way—he planted them. To decide that exhaustion does not extend to seeds

purchased on the open market is to destroy a bona fide purchaser's reasonable and expected property interest.

III. THIS COURT SHOULD NOT CREATE AN EXCEPTION TO THE TRADITIONAL EXHAUSTION DOCTRINE FOR SELF- REPLICATING TECHNOLOGIES

A. Any Change in the Exhaustion Doctrine Should Come from Congress

The Federal Circuit created an impermissible exception to the exhaustion doctrine for self-replicating technologies, holding that “[a]pplying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder.” PA14a. This judicially created exception improperly usurps Congress’s role in weighing competing interests and legislatively expanding statutory patent rights.

This Court has repeatedly held that the Constitution gives Congress the exclusive power “to promote the Progress of Science and useful Arts” *Deepsouth*, 406 U.S. at 529 (quoting U.S. Const. art. I, § 8, cl. 8); *see also Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 456 (1984). Accordingly, this Court requires a clear and certain congressional signal before judicially expanding a patentee’s monopoly. *Deepsouth*, 406 U.S. at 531. “Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute.” *United States v. Masonite Corp.*, 316 U.S. 265, 280 (1942).

In *Sony*, this Court explained that throughout the Court's history, judicial reluctance to expand statutory rights without explicit legislative guidance is "a recurring theme." 464 U.S. at 431; *see also Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 164–65 (1989). Thus, care should be taken to avoid extending statutory rights and privileges through judicial action. *Bauer*, 229 U.S. at 10.

Congress has provided no signal for an exception to the exhaustion doctrine for self-replicating technologies. This is true despite case law since the 1980s holding that sexually reproducing plants qualify for utility patent protection. *See Ex parte Hibberd*, No. 645-91, 227 U.S.P.Q. 443, 444–46 (B.P.A.I. Sept. 18, 1985). Twenty-five years of congressional silence is noteworthy. If Congress intended the exhaustion doctrine to include special exceptions for patented seeds, it could have signaled as much through legislation. *See Deepsouth*, 406 U.S. at 530; *cf. Sony*, 464 U.S. at 430 n.11 (observing that Congress enacted the Sound Recording Amendment of 1971 to address new copyright issues arising from the audio tape recorder).

When considered appropriate, Congress has passed laws creating exceptions to the first-sale doctrine. In 1990, Congress enacted the Visual Artists Rights Act, which allows an artist to retain an attribution right and prohibit an artwork's destruction regardless of who owns the work. 17 U.S.C. § 106A; *see also* H.R. Rep. No. 101-514 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6915, 6924–25 (1990). Similarly, 17 U.S.C. § 109(b)(1)(A) provides exceptions to the first-sale doctrine for, among other things, computer programs, preventing commercialization by owners of particular copies by rental, lease, or lending.

Not only has Congress provided industry-focused exceptions to the first-sale doctrine for copyrights, it passed specific legislation providing protection for certain sexually reproducing plant varieties in the PVPA.⁵ 7 U.S.C. § 2402(a)(1). In 1970, when Congress passed the PVPA, it was generally accepted that “[u]nder patent law, protection [was] limited to those varieties of plants which reproduce asexually . . . no [patent] protection [was] available to those varieties of plants which reproduce sexually . . .” H.R. Rep. No. 91-1605 (1970), *reprinted in* 1970 U.S.C.C.A.N. 5082, 5082–83 (1970). To promote new seed development and balance the competing interests of private-industry plant breeders and farmers, Congress gave the breeders certain rights while reserving others for farmers and the public. *Id.*; *see also* 7 U.S.C. § 2402. Specific exceptions include a farmer’s ability to save seeds descended from those purchased and use them for planting or for sale as provided in 7 U.S.C. § 2543. Congress included a research exception that allows the use and reproduction of protected seeds for breeding or for research. *See* 7 U.S.C. § 2544. In the PVPA, Congress also allowed the government to declare a protected variety open to public use for the purpose of ensuring an adequate food supply. *See* 7 U.S.C. § 2404.

By contrast, the Patent Act lacks any specific treatment for seeds. Unlike the PVPA, Congress passed the Patent Act against the backdrop of this Court’s century-old exhaustion doctrine that provides purchasers with broad rights to use and resell patented products free of any infringement claims.

5. Sexual reproduction is by seeds, whereas asexual reproduction does not use seeds but rather techniques such as grafting, budding, and layering.

Relying on cases interpreting the PVPA, Monsanto argued in its opposition to certiorari that this Court has *implicitly* held that an authorized sale of patented seeds does not exhaust patent rights in subsequent generations of seeds. *See* Br. in Opp. 14–15 (citing *Asgrow Seed Co. v. Winterboer*, 513 U.S. 179, 182 (1995), and *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 143 (2001)). Monsanto’s arguments with respect to the PVPA conflict with this Court’s teaching that patent rights should not be expanded “by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language.” *Deepsouth*, 406 U.S. at 531. The inferences Monsanto asks this Court to draw from the PVPA cannot be made absent clear congressional intent to modify the exhaustion doctrine in the context of the Patent Act.

Additionally, because Congress passed the PVPA when it was generally thought that sexually reproduced seeds were not protectable under the Patent Act, any attempt to read congressional intent about the exhaustion doctrine is inherently problematic. Given this Court’s broad exhaustion doctrine, unlimited in the types of uses permitted following an authorized sale, no exceptions are required for seeds subject to authorized sales. For example, the PVPA’s research exception is unnecessary for such seeds. *See* 7 U.S.C. §§ 2544–45.

Finally, the PVPA balances farmers’ and private-industry’s rights regarding progeny seeds. Congress considered various stakeholders’ viewpoints in striking this balance. H.R. Rep. No. 91-1605, 1970 U.S.C.C.A.N. at 5084–85 (referring to hearings); *see, e.g.*, 116 Cong. Rec.

H11,332 (daily ed. Dec. 8, 1970). Congress has given no similar consideration to the progeny of seeds protected by utility patents. Any change to the exhaustion doctrine should come only after Congress has carefully considered issues concerning progeny seeds to determine the proper balance to strike between patentees, farmers, and the public, under the Patent Act. *See, e.g., Sony*, 464 U.S. at 431 (explaining that “Congress has the constitutional authority and the institutional ability to accommodate fully the varied permutations of competing interests that are inevitably implicated . . .”).

B. Contract Law Provides Adequate Remedies to Owners of Patents on Self-Replicating Technologies

Monsanto argues that “Bowman’s exhaustion arguments would effectively eliminate the usefulness of patents in self-replicating technology.” Br. in Opp. 14. But this argument ignores the validity of contract law as a means for exploiting inventions in such technologies, and it exaggerates the impact that a decision in Bowman’s favor will have outside the seed industry. Most patented self-replicating technologies are not distributed as a commodity through third-party grain elevators the way seeds are often distributed. The only reason Monsanto lacks contractual privity with Bowman for the seeds he purchased from the grain elevator is because Monsanto *chooses* to distribute seeds in conventional channels of trade, thereby encouraging free mixing of its genetically modified crops with conventional crops. Dekt. #73-2 at 61. By encouraging that mixing, Monsanto achieves widespread adoption and substitution of its technology. Monsanto could legally require farmers who buy first-

generation Roundup Ready® seeds to sell progeny seeds only to grain elevators that agree to obtain promises from purchasers of the progeny seeds not to plant them. But this would require segregation and, by default, labeling of genetically modified grain at grain elevators.

If contract law is the exclusive means by which patentees can limit use, distribution, and resale of products embodying patented self-replicating technologies, the public will benefit greatly because this exposes the sale of such products to scrutiny under the antitrust laws. As this Court has acknowledged, “Antitrust laws . . . are the Magna Carta of free enterprise. They are as important to the preservation of economic freedom and our free-enterprise system as the Bill of Rights is to the protection of our fundamental personal freedoms.” *United States v. Topco Assocs., Inc.*, 405 U.S. 596, 610 (1972). But “[t]he very object of [the patent] laws is monopoly” *Gen. Elec.*, 272 U.S. at 491. Therefore, with few exceptions, a contractual restriction that falls within the patent monopoly is immune from antitrust scrutiny. *See id.*

On the other hand, if a patentee’s conduct “derives no support from the patent,” restrictions on use and sale “must stand on the same footing under the Sherman Act as like stipulations with respect to unpatented commodities.” *Univis*, 316 U.S. at 251. As *Univis* illustrates, a decision that exhaustion applies subjects an agreement regarding the exhausted goods to antitrust scrutiny. *See id.* at 251–54. Thus, while Monsanto could impose restrictions on purchasers under contract law, the public would be protected under antitrust law from unreasonably anticompetitive contractual terms. These considerations favor a decision that exhaustion applies to seeds sold in

authorized sales as well as seeds grown through lawful use of patented seeds.

Finally, a ruling in Bowman's favor would not "eviscerate the rights of the patent holder" as the Federal Circuit believes. PA14a. Commodity seeds are not substitutes for first-generation Roundup Ready® seeds. By mixing all harvests together in a grain elevator, seed identity is lost and uniformity of variety disappears. For these reasons alone, commodity seeds cannot be labeled and sold in direct competition with first-generation seeds. Ind. Code § 15-15-1-40(1) (2008) (discussing rules for labeling first-generation "certified" seed). Indeed, commodity seeds are not even directly competitive with progeny seeds grown from first-generation seeds and saved by a farmer in violation of an agreement with Monsanto. These are sometimes called "brown bag" seeds, and they consist of a single, uniform variety. Dckt. #98 at 7.

CONCLUSION

The Federal Circuit's decision provides Monsanto with an unprecedented level of protection. It permits Monsanto to sue farmers for patent infringement when they plant seeds that have been purchased on the open market in authorized and unrestricted sales. This decision conflicts with more than 150 years of law from this Court holding that patent rights terminate after an authorized sale. It also expands those rights by providing an exception to patent exhaustion for self-replicating technologies.

Absent congressional action, self-replicating technologies deserve no special consideration under the

exhaustion doctrine. The fact that products embodying these inventions will self-replicate by normal use should be of no consequence to an accused infringer's exhaustion defense. If Monsanto wants to restrict farmers' use of its self-replicating inventions, then it must do so under contract law. Under this Court's cases, Monsanto's patent rights terminated upon the authorized sale of seeds embodying the invention to Bowman, and it could no longer restrict his use of those seeds through patent law.

The judgment of the Federal Circuit should be reversed.

Respectfully submitted,

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APPENDIX

APPENDIX — RELEVANT STATUTES

35 U.S.C. § 154

§ 154. Contents and term of patent; provisional rights

(a) In general.

(1) Contents. Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof.

(2) Term. Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) [35 U.S.C. § 120, 121, or 365(c)], from the date on which the earliest such application was filed.

(3) Priority. Priority under section 119, 365(a), or 365(b) [35 U.S.C. § 119, 365(a), or 365(b)] shall not be taken into account in determining the term of a patent.

(4) Specification and drawing. A copy of the specification and drawing shall be annexed to the patent and be a part of such patent.

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(b) Adjustment of patent term.

(1) Patent term guarantees.

(A) Guarantee of prompt patent and trademark office responses. Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to--

(i) provide at least one of the notifications under section 132 [35 U.S.C. § 132] or a notice of allowance under section 151 [35 U.S.C. § 151] not later than 14 months after--

(I) the date on which an application was filed under section 111(a) [35 U.S.C. § 111(a)]; or

(II) the date on which an international application fulfilled the requirements of section 371 [35 U.S.C. § 371];

(ii) respond to a reply under section 132 [35 U.S.C. § 132], or to an appeal taken under section 134 [35 U.S.C. § 134], within 4 months after the date on which the reply was filed or the appeal was taken;

(iii) act on an application within 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 [35 U.S.C. § 134 or 135] or a decision by a Federal court under section 141, 145, or 146 [35 U.S.C. § 141, 143, or 146] in a case in which allowable claims remain in the application; or

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(iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 [35 U.S.C. § 151] and all outstanding requirements were satisfied, the term of the patent shall be extended 1 day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

(B) Guarantee of no more than 3-year application pendency. Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including--

(i) any time consumed by continued examination of the application requested by the applicant under section 132(b);

(ii) any time consumed by a proceeding under section 135(a) [35 U.S.C. § 135(a)], any time consumed by the imposition of an order under section 181 [35 U.S.C. § 181], or any time consumed by appellate review by the Board of Patent Appeals and Interferences or by a Federal court; or

(iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C), the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.

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(C) Guarantee or adjustments for delays due to interferences, secrecy orders, and appeals. Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to--

(i) a proceeding under section 135(a) [35 U.S.C. § 135(a)];

(ii) the imposition of an order under section 181 [35 U.S.C. § 181]; or

(iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

(2) Limitations.

(A) In general. To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

(B) Disclaimed term. No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.

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(C) Reduction of period of adjustment.

(i) The period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.

(ii) With respect to adjustments to patent term made under the authority of paragraph (1)(B), an applicant shall be deemed to have failed to engage in reasonable efforts to conclude processing or examination of an application for the cumulative total of any periods of time in excess of 3 months that are taken to respond to a notice from the Office making any rejection, objection, argument, or other request, measuring such 3-month period from the date the notice was given or mailed to the applicant.

(iii) The Director shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

(3) Procedures for patent term adjustment determination.

(A) The Director shall prescribe regulations establishing procedures for the application for and determination of patent term adjustments under this subsection.

(B) Under the procedures established under subparagraph (A), the Director shall--

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(i) make a determination of the period of any patent term adjustment under this subsection, and shall transmit a notice of that determination with the written notice of allowance of the application under section 151 [35 U.S.C. § 151]; and

(ii) provide the applicant one opportunity to request reconsideration of any patent term adjustment determination made by the Director.

(C) The Director shall reinstate all or part of the cumulative period of time of an adjustment under paragraph (2)(C) if the applicant, prior to the issuance of the patent, makes a showing that, in spite of all due care, the applicant was unable to respond within the 3-month period, but in no case shall more than three additional months for each such response beyond the original 3-month period be reinstated.

(D) The Director shall proceed to grant the patent after completion of the Director's determination of a patent term adjustment under the procedures established under this subsection, notwithstanding any appeal taken by the applicant of such determination.

(4) Appeal of patent term adjustment determination.

(A) An applicant dissatisfied with a determination made by the Director under paragraph (3) shall have remedy by a civil action against the Director filed in the United States District Court for the Eastern District of Virginia within 180 days after the grant of the patent. Chapter 7 of title 5 [5 U.S.C. §§ 701 et seq.], shall apply

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to such action. Any final judgment resulting in a change to the period of adjustment of the patent term shall be served on the Director, and the Director shall thereafter alter the term of the patent to reflect such change.

(B) The determination of a patent term adjustment under this subsection shall not be subject to appeal or challenge by a third party prior to the grant of the patent.

(c) Continuation.

(1) Determination. The term of a patent that is in force on or that results from an application filed before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act shall be the greater of the 20-year term as provided in subsection (a), or 17 years from grant, subject to any terminal disclaimers.

(2) Remedies. The remedies of sections 283, 284, and 285 [35 U.S.C. §§ 283, 284, and 285] shall not apply to acts which--

(A) were commenced or for which substantial investment was made before the date that is 6 months after the date of the enactment of the Uruguay Round Agreements Act [enacted Dec. 8, 1994]; and

(B) became infringing by reason of paragraph (1).

(3) Remuneration. The acts referred to in paragraph (2) may be continued only upon the payment of an equitable remuneration to the patentee that is determined in an action brought under chapter 28 and chapter 29 (other than

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those provisions excluded by paragraph (2)) [35 U.S.C. §§ 271 et seq. and 281 et seq.].

(d) Provisional rights.

(1) In general. In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent under section 122(b) [35 U.S.C. § 122(b)], or in the case of an international application filed under the treaty defined in section 351(a) [35 U.S.C. § 351(a)] designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued--

(A) (i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or

(ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and

(B) had actual notice of the published patent application and, in a case in which the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, had a translation of the international application into the English language.

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(2) Right based on substantially identical inventions. The right under paragraph (1) to obtain a reasonable royalty shall not be available under this subsection unless the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.

(3) Time limitation on obtaining a reasonable royalty. The right under paragraph (1) to obtain a reasonable royalty shall be available only in an action brought not later than 6 years after the patent is issued. The right under paragraph (1) to obtain a reasonable royalty shall not be affected by the duration of the period described in paragraph (1).

(4) Requirements for international applications.

(A) Effective date. The right under paragraph (1) to obtain a reasonable royalty based upon the publication under the treaty defined in section 351(a) [35 U.S.C. § 351(a)] of an international application designating the United States shall commence on the date of publication under the treaty of the international application, or, if the publication under the treaty of the international application is in a language other than English, on the date on which the Patent and Trademark Office receives a translation of the publication in the English language.

(B) Copies. The Director may require the applicant to provide a copy of the international application and a translation thereof.

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35 U.S.C. § 271

§ 271. Infringement of patent

(a) Except as otherwise provided in this title [35 U.S.C. §§ 1 et seq.], whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would

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constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)

(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit--

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act [21 U.S.C. § 355(j)] or described in section 505(b)(2) of such Act [21 U.S.C. § 355(b)(2)] for a drug claimed in a patent or the use of which is claimed in a patent,

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(B) an application under section 512 of such Act [21 U.S.C. § 360b] or under the Act of March 4, 1913 (21 U.S.C. 151-158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, or

(C) (i) with respect to a patent that is identified in the list of patents described in section 351(l)(3) of the Public Health Service Act [42 U.S.C. § 262(l)(3)] (including as provided under section 351(l)(7) of such Act [42 U.S.C. § 262(l)(7)]), an application seeking approval of a biological product, or

(ii) if the applicant for the application fails to provide the application and information required under section 351(l)(2)(A) of such Act [42 U.S.C. § 262(l)(2)(A)], an application seeking approval of a biological product for a patent that could be identified pursuant to section 351(l)(3)(A)(i) of such Act [42 U.S.C. § 262(l)(3)(A)(i)], if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug, veterinary biological product, or biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing

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into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)--

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product,

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug, veterinary biological product, or biological product, and

(D) the court shall order a permanent injunction prohibiting any infringement of the patent by the biological product involved in the infringement until a date which is not earlier than the date of the expiration of the patent that has been infringed under paragraph (2)(C), provided the patent is the subject of a final court decision,

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as defined in section 351(k)(6) of the Public Health Service Act [42 U.S.C. § 262(k)(6)], in an action for infringement of the patent under section 351(l)(6) of such Act [42 U.S.C. § 262(l)(6)], and the biological product has not yet been approved because of section 351(k)(7) of such Act [42 U.S.C. § 262(k)(7)].

The remedies prescribed by subparagraphs (A), (B), (C), and (D) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285 [35 U.S.C. § 285].

(5) Where a person has filed an application described in paragraph (2) that includes a certification under subsection (b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), and neither the owner of the patent that is the subject of the certification nor the holder of the approved application under subsection (b) of such section for the drug that is claimed by the patent or a use of which is claimed by the patent brought an action for infringement of such patent before the expiration of 45 days after the date on which the notice given under subsection (b)(3) or (j)(2)(B) of such section was received, the courts of the United States shall, to the extent consistent with the Constitution, have subject matter jurisdiction in any action brought by such person under section 2201 of title 28 for a declaratory judgment that such patent is invalid or not infringed.

(6) (A) Subparagraph (B) applies, in lieu of paragraph (4), in the case of a patent--

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(i) that is identified, as applicable, in the list of patents described in section 351(l)(4) of the Public Health Service Act [42 U.S.C. § 262(l)(4)] or the lists of patents described in section 351(l)(5)(B) of such Act [42 U.S.C. § 262(l)(5)(B)] with respect to a biological product; and

(ii) for which an action for infringement of the patent with respect to the biological product--

(I) was brought after the expiration of the 30-day period described in subparagraph (A) or (B), as applicable, of section 351(l)(6) of such Act [42 U.S.C. § 262(l)(6)]; or

(II) was brought before the expiration of the 30-day period described in subclause (I), but which was dismissed without prejudice or was not prosecuted to judgment in good faith.

(B) In an action for infringement of a patent described in subparagraph (A), the sole and exclusive remedy that may be granted by a court, upon a finding that the making, using, offering to sell, selling, or importation into the United States of the biological product that is the subject of the action infringed the patent, shall be a reasonable royalty.

(C) The owner of a patent that should have been included in the list described in section 351(l)(3)(A) of the Public Health Service Act [42 U.S.C. § 262(l)(3)(A)], including as provided under section 351(l)(7) of such Act [42 U.S.C. § 262(l)(7)] for a biological product, but was not

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timely included in such list, may not bring an action under this section for infringement of the patent with respect to the biological product.

(f)

(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs

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during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after--

(1) it is materially changed by subsequent processes;
or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term “whoever” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an “offer for sale” or an “offer to sell” by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.