IN THE SUPREME COURT OF THE UNITED STATES

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VERNON HUGH BOWMAN, :

Petitioner : No. 11-796

v. :

MONSANTO COMPANY, ET AL. :

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Washington, D.C.

Tuesday, February 19, 2013

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 11:27 a.m.

APPEARANCES:

MARK P. WALTERS, ESQ., Seattle, Washington; on behalf of Petitioner.

MELISSA ARBUS SHERRY, ESQ., Assistant to the Solicitor General, Department of Justice, Washington, D.C.; for United States, as amicus curiae.

SETH P. WAXMAN, ESQ., Washington, D.C.; on behalf of Respondents.

C O N T E N T S

P R O C E E D I N G S

(11:27 a.m.)

CHIEF JUSTICE ROBERTS: We will hear argument next this morning in case 11-796, Bowman v. Monsanto Company.

Mr. Walters.

ORAL ARGUMENT OF MARK P. WALTERS

ON BEHALF OF THE PETITIONER

MR. WALTERS: Mr. Chief Justice and may it please the Court:

Patent exhaustion provides that once a patented article is sold, it passes outside the protection of the Patent Act, and it is available to be used by the purchaser to practice the invention.

Now, what's the invention here? The invention is a bit of DNA that, when inserted into a soy bean seed, makes that seed and all the plants that grow from that seed resistant to the active ingredient in Roundup. Now, the only way to practice that invention is to plant the seed and to grow more seeds.

CHIEF JUSTICE ROBERTS: Why in the world would anybody spend any money to try to improve the seed if as soon as they sold the first one anybody could grow more and have as many of those seeds as they want?

MR. WALTERS: I agree no one would do that,

and I don't think that is the situation here. I think we have, and we have explained how Respondents here can protect their invention through contracts. They don't have to sell it outright. They can sell it through an agency model, but the more I think important --

CHIEF JUSTICE ROBERTS: That's true, that's true in the case of any patented article, right?

MR. WALTERS: Correct.

CHIEF JUSTICE ROBERTS: So the patent system is based, I think, on a recognition that contractual protection is inadequate to encourage invention.

MR. WALTERS: Well, part of the patent policy, as well, is to protect the purchaser, and that's been part of this Court's law for more than 150 years.

Under Respondent's theory, any farmer who grows a soy bean seed is infringing the patent, but for the grace of Monsanto. And that's -- a lot of farmers in this country, when we have over 90 percent of the acreage that is Roundup Ready. So under Monsanto's theory, there is really no limit by the Exhaustion Doctrine?

JUSTICE SCALIA: I didn't understand that last sentence. Any farmer who plants and grows soybeans is violating the patent?

MR. WALTERS: Is infringing under license by

Monsanto. Let's take the first --

JUSTICE SCALIA: I thought that their claim is that he only violates the patent if he tries to grow additional seeds from his first crop. Right? Isn't that the only claim here?

MR. WALTERS: The reach of Monsanto's theory is that once that seed is sold, even though title has passed to the farmer, and the farmer assumes all risks associated with farming, that they can still control the ownership of that seed, control how that seed is used.

JUSTICE SCALIA: No, not that seed. It's different seed. That seed is done. It's been planted in the ground and has grown other seed. It's the other seed we are talking about. It's not the very seed that was sold. Right?

MR. WALTERS: That's correct, Your Honor, but if we don't apply -- if exhaustion is eliminated, rather, for the progeny seed, then you are taking away the ability of people to exchange these goods freely in commerce. You have essentially a servitude on these things that are exchanged, and every grain elevator who makes a sale is infringing.

JUSTICE KENNEDY: Well, I think you may be right in the way you characterize Monsanto's argument, and I have great difficulties with characterizing it

that way, as Justice Scalia's question indicates. But Monsanto can still prevail if you say that there's a patent infringement, if he plants it for seed and uses the seed to replant. That's not as far as Monsanto goes, but it seems to me it's one way to characterize their argument and to make it sensible.

MR. WALTERS: If you assume that there is exhaustion in the seeds that are sold to the farmer -- let's take our particular case here. Mr. Bowman went to a grain elevator and he bought from the grain elevator without restriction seeds to – and it was his purpose to plant them. Now, the only way that he can make use –- if you assume in the first instance that there is exhaustion to the seeds that Mr. Bowman purchased from the grain elevator, you are taking away any ability for him to use that seed or use the invention.

Let's take for example Claim 130, which is at the supplemental appendix 19, that is a method for selectively controlling weeds in a field. It has two elements; the first element is planting the crop seed and it's a particular crop seed with all the particular genetics that encode for resistance to Roundup, and then the next step is to apply to the crop and weeds in the field a sufficient amount of glyphosate herbicide.

Now, if you say that there is exhaustion in

the seeds that Mr. Bowman purchased from the grain elevator, but you say it doesn't apply to the progeny, you are not allowing him to actually practice the invention to grow more seeds.

JUSTICE BREYER: No, but you are allowing him to use those seeds for anything else he wants to do. It has nothing to do with those seeds.

There are three generations of seeds. Maybe three generations of seeds is enough.

(Laughter.)

JUSTICE BREYER: It is for this example. First of you have the Monsanto, the first generation they sold. They have children, which is the second generation. And those children have children, which is the third generation, okay? So bad joke.

(Laughter.)

JUSTICE BREYER: So we are talking here -- he can do what he wants with the first generation. Anything he wants. And moreover, when he buys them from Monsanto, he can make new seeds. He can make generation 2 because they've licensed him to do it.

Here, he buys generation 2. Now, he can do what he wants with those seeds. But I'll tell you, there is a problem because the coming about of the third generation is itself the infringement. So the second

generation seeds have nothing to do with it. If he went into a room and had a box that he bought from a lab and he put rocks in it and he said, hocus-pocus and lo and behold out came the third generation of seeds, he would have infringed Monsanto's patent with that third generation, would he not?

MR. WALTERS: No.

JUSTICE BREYER: No, he wouldn't have? You mean if he goes and finds a new way of making these seeds, which happens to do with you pick some grass and you intertwine it and various things like that, and lo and behold you have a perfect copy of Monsanto's patented seed, he hasn't made it, he hasn't infringed? Why not?

MR. WALTERS: Well, I guess I misunderstood your question.

JUSTICE BREYER: My question is the same with the grass as with the magic box. I am saying the problem for you here, I think, is that, infringement lies in the fact that he made generation three. It has nothing to do with generation 2. That has just a coincidence. But that is, in fact, the way he made these seeds. But he can sell, resell generation 2, he can do whatever he wants with it.

If he sterilizes it and uses them in a circus, he can do it. The only thing he cannot do is he

cannot create generation 3, just as he couldn't use generation 2 seeds to rob a bank.

You know, there are certain things that the law prohibits. What it prohibits here is making a copy of the patented invention. And that is what he did. So it's generation 3 that concerns us. And that's the end of it.

Now, what is your response to that?

MR. WALTERS: Justice Breyer, my response is, if you applied the law that way to side making over use, you are eliminating the Exhaustion Doctrine in the context of -- of patented seeds. You're saying that he can do --

JUSTICE GINSBURG: But why --

MR. WALTERS: -- anything but practice the invention.

JUSTICE GINSBURG: But why -- you said making or use and it isn't an either-or thing then -- as the other side has pointed out. You can use the seed to make new seeds. So use and make aren't -- it's not either you use it or you make it. You can use it to make a new item.

MR. WALTERS: Justice Ginsburg, that is the point of the invention here. If you look at claim 130 again, for example, you are saying he can't practice

claim 130, which is certainly embodied in the seeds he purchased from the grain elevator.

JUSTICE GINSBURG: Well, suppose he -- he had never bought any Monsanto seeds. He just goes to the grain elevator and 90-odd percent of those seeds have the genetic composition. So -- and he planted that and he harvested it. Would he be infringing on Monsanto's patents?

MR. WALTERS: No.

JUSTICE GINSBURG: So he never has to buy any seed, at all, from Monsanto.

MR. WALTERS: Well, in practical matters it doesn't work that way because the seed that's available at a grain elevator is not a very good source of seed and farmers are not going to be able to eliminate the need to go to Monsanto or the other seed companies every year by going to the grain elevator.

Great evidence of that is the fact that my client, every year that he planted a second crop using the grain elevator seed, he bought high quality seed from Pioneer. Now, if this grain elevator -- grain elevator seed was so good, why didn't he use it for his first crop?

JUSTICE BREYER: I'm still not getting the answer. I'm going to try once more. Now, when you buy

generation 2, well, there are a lot of things you can do with it. You can feed it to animals, you can feed it to your family, make tofu turkeys. I mean, you know, there are a lot of things you can do with it, alright.

But I'll give you two that you can't do. One, you can't pick up those seeds that you've just bought and throw them in a child's face. You can't do that because there's a law that says you can't do it.

Now, there's another law that says you cannot make copies of a patented invention. And that law you have violated when you use it to make generation 3, just as you have violated the law against assault were you to use it to commit an assault.

Now, I think that's what the Federal Circuit is trying to get at. And so it really has nothing to do with the Exhaustion Doctrine. It has to do with some other doctrine, perhaps, that -- that somehow you think should give you the right to use something that has as a basic purpose making a copy of itself. Maybe you should, but I don't see that. Where is that in the law?

MR. WALTERS: Your Honor, that's an exception to the Exhaustion Doctrine for self-replicating inventions.

JUSTICE BREYER: Yes.

MR. WALTERS: The invention here is --

JUSTICE BREYER: Is that there? Is that -- is that there in the Exhaustion Doctrine?

MR. WALTERS: It is not there. This -- this Court has -- has not created an exception to the Exhaustion Doctrine, and in fact it's explicitly said it won't do that and that's an act -- and that's an activity for Congress.

JUSTICE SOTOMAYOR: I'm sorry. The Exhaustion Doctrine permits you to use the good that you buy. It never permits you to make another item from that item you bought. So that's what I think Justice Breyer is saying, which is you can use the seed, you can plant it, but what you can't do is use its progeny unless you are licensed to because its progeny is a new item.

MR. WALTERS: This is obviously a brand-new case where we're dealing with the -- the doctrine of patent exhaustion in the context of self-replicating technologies. So what you have here is if you take the Federal Circuit's view, then you have no ability -- you have no exhaustion at all for someone to practice the invention. Sure, you can do all the things that you talked about, Mr. Breyer -- or Justice Breyer, but that has nothing to do with the -- or with the invention.

So you're taking the Exhaustion Doctrine for

self-replicating inventions, you're modifying this Court's case law substantially, and that's something that ought to be done in Congress. In fact --

JUSTICE GINSBURG: Well, you just said that -- that we haven't had a case involving self-replicating. I mean, the Exhaustion Doctrine was shaped with the idea of an article; there was an article that you could use and then you use it and it's used up. But we haven't applied the Exhaustion Doctrine when you have a new -- when you create a copy of the original.

So it's -- it's not that we have law in place. We've been dealing with an item with the Exhaustion Doctrine and now we have hundreds of items, thousands of items, all growing from that original seed.

MR. WALTERS: The Exhaustion Doctrine, the policy that underlies this Court's cases is fundamentally a choice about the purchaser's rights in that personal property over the patentee's rights in the monopoly to use that monopoly and increase its sales. This Court has always chosen the purchaser's rights over the patentee's rights to increase sales. And we're just asking you to make the same choice here.

JUSTICE KAGAN: Well, except to the extent, as Justice Breyer suggested, except to the extent that the purchase is going to use the article just to create

a new one of the exact same kind. And it seems to me that what you're suggesting is that the basic rule that says that the purchaser does not get to do that should have an exception for self-replicating technologies.

MR. WALTERS: First, we disagree that the activity of basic farming could be considered making the invention. If you read the statute, it says making the invention, not just making a copy like it would be in the Copyright Act. We have the invention, which is a particular genetic sequence that was made, principally, by Monsanto's genetic engineers. And farmers, when they plant seeds, they don't exercise any control or dominion over -- over their crop. Otherwise, every year they'd have a bumper crop.

JUSTICE SOTOMAYOR: Do you mean they don't do any work, they don't lay the soil and the nutrients it needs, water when it needs watering, protect it from animals? They do no work --

MR. WALTERS: They absolutely --

JUSTICE SOTOMAYOR: -- in growing the seed?

MR. WALTERS: They absolutely do work, but they don't have control over the creative process. They plant, they spray and they pray.

JUSTICE SOTOMAYOR: I'm sure if they don't do all of the things I said, it doesn't grow. So aren't

they involved in its creative -- in its creation?

MR. WALTERS: They certainly aren't in control of it. You ask any farmer who's lived through a drought or through a terrible flood and they will say they're not the ones who are making these --

CHIEF JUSTICE ROBERTS: Well, you only need one -- I mean, you throw the seeds on the ground, one or two of them are going to grow and you still have the same case, right?

MR. WALTERS: Absolutely. And -- and that's how broad this position is. It doesn't matter how you come into possession with these seeds. You are committing patent infringement if you -- any cell division is patent infringement.

JUSTICE BREYER: That's true, but that's what I thought you were going to respond. I thought you were going to respond to me that my question then makes it infringement when your client buys generation 1 from Monsanto because they buy generation 1 from Monsanto, they plant it in the ground and lo and behold up comes generation 2. And generation 2, on the basis of what I was asking you, is just as much a violation.

But I think, though I'll find out from them, that the response of that is, yes, you're right, it is just as much of a violation. That's why we, Monsanto,

give the buyer a license to do it.

And so it all seems to work out. You don't need any exception. There's no exception from anything. When you create a new generation, you have made a patented item, which you cannot do without the approval of the patent owner. Therefore, Monsanto gives that approval when you buy generation 1.

Now, it seems to me all to work out without any need for exception. And I'm putting to you my whole thought so that you can respond to it.

MR. WALTERS: Thank you, Justice Breyer. What Monsanto wants to do in your scenario is they want the farmer to assume all the risks of farming. They want -- but they still want to control and act as owners of the property that is owned, no doubt, by that farmer. When that farmer grows the progeny seed, that they insure the risk that they're not going to have a crop in the first place. If they drive to the grain dealer to sell their harvest -- they get one paycheck a year, by the way -- they, if they get into a wreck, that's not Monsanto's problem; that's the farmer's problem.

So what they're essentially asking for is for the farmers to bear all the risks of farming, yet they can sit back and control how that property is used. And that's fundamentally inconsistent with how this

Court has interpreted the Exhaustion Doctrine. The thing that's very important is this is not a license, this is an outright sale to the farmers of the first generation.

And then they are -- they plant those seeds because they have, under the Exhaustion Doctrine, a right to use the invention, and then those progeny seeds are owned outright by every farmer, and they assume all risk of loss. So if -- if -- Monsanto wants to control --

JUSTICE GINSBURG: And they may -- they may they own them, but that doesn't mean that they are infringing. They may -- the seeds are owned by the farmer. But when he uses them to grow more seeds, he's infringing on that patent. So I don't think that the ownership has anything to do with it.

MR. WALTERS: It's the servitude on the title. And those things get sold to the grain elevators, and now every time the grain elevator makes a sale, it's technically infringing. And -- and that's something that our law has never allowed for centuries. And one of the main problems is that you have farmers, their main livelihood here is to sell the seeds that they grow. Now, if they don't have clear title and if they don't have the ability to sell the property that

they -- that they grow, then that impinges upon their ability to make a living.

JUSTICE KENNEDY: I have only one question so far, it's a farming question. With some crops if you are going to make seeds, you leave the crop in longer. In -- what about soybeans? If the farmer has the north 40 and the south 40, the north 40, he's going to plants soybeans to be used for flour, human consumption, and south 40, he wants seeds. Does he leave the plants in the ground the same amount of time?

MR. WALTERS: You know, most farmers are not growing soybeans for -- for seed. There are various types of --

JUSTICE KENNEDY: You would not? Okay.

MR. WALTERS: -- various types of farmers who are -- who are growing foundation seed, for example, that is very close to the -- to the first generation seed that's engineered.

JUSTICE SCALIA: I don't understand this. I thought soybeans are seeds.

MR. WALTERS: They are.

JUSTICE KENNEDY: But that's -- if you're going to use the soybeans for seeds as opposed to flour, do you leave them in the ground any longer?

MR. WALTERS: I don't know the answer to

that question.

JUSTICE KENNEDY: Okay.

JUSTICE KAGAN: Mr. Walters, could you go back to the Chief Justice's opening question because the Chief Justice asked you what incentive Monsanto would have to produce this kind of product if you were right. And you said, well, they can protect themselves by contract.

Actually, it seems to me that that answer is peculiarly insufficient in this kind of a case because all that has to happen is that one seed escapes the web of these contracts, and that seed because it can self-replicate in the way that it can, essentially makes all the contracts worthless. So again, we are back to the Chief Justice's problem, that Monsanto would have no incentive to create a product like this one.

MR. WALTERS: Taking our example here where -- where Petitioner bought commodity seeds, it's an undifferentiated mixture, it can't be overemphasized how different every single seed is, you don't know a Monsanto from a Pioneer from an Asgrow. You don't know the maturity rate. If I am a farmer, I need a particular maturity bean for my field because I don't want it to mature before it gets high enough for the combine to come around and cut it.

So you want to be able to have -- you have all these things dialed in, these different variabilities. So if you go to the grain elevator and you don't know what exactly it is that you want and you just get a mixture, that's not going to be real -- competitive at all to Monsanto's first generation seed.

Now, the possibility of somebody selecting one and saying, ah, that's the exact one that I need for my field, I'm going to cultivate that and let it grow into enough seeds so I can plant my first crop, that would take a number of years to grow a 1,000-acre farm, and it's not -- and by that time, farmers -- the nature would have changed and evolved where you would want the latest in disease resistance by that point.

So there are --

JUSTICE KENNEDY: Please correct me if I am wrong. I thought that's exactly what Bowman did here. He went to a grain elevator and he -- he used the seeds, and -- and he didn't know exactly the percentage mix, but he used them.

MR. WALTERS: Well, he --

JUSTICE KENNEDY: So he did exactly what you said is uneconomical.

MR. WALTERS: No. Actually, he did something quite different. He didn't select a

particular variety. He selected for the particular trait, Roundup Ready, but there are probably more than a dozen different ways in which the seed can vary -- disease resistance, maturity rates. And if you are a farm --

CHIEF JUSTICE ROBERTS: I'm sorry, maybe I didn't read this right. I thought what he did was plant all the commodity seeds, and then applied the Roundup, so that all that was left was the Roundup resistance seeds, and then he used those.

MR. WALTERS: That's correct. But if you look at a field that you plant with grain elevator seed, it's going to be all different color because they're going to be all different variety, they're all going to mature at a different rate. So that if -- when it comes harvest time, some of them are going to be too close to the ground so that your combine's going to miss --

JUSTICE SCALIA: Including the Monsanto seeds?

MR. WALTERS: Including the Monsanto seeds.

JUSTICE SCALIA: Some of them would -- would grow at different rates than others.

MR. WALTERS: Absolutely.

CHIEF JUSTICE ROBERTS: How come that's not

a problem the first time you plant?

MR. WALTERS: It's a problem each time. This is a very poor choice -- choice of seed, but it only makes sense to plant in a risky situation, like when a farmer has been washed out from a flood, for example, and it's late in the --

CHIEF JUSTICE ROBERTS: No, no. I mean the very first time, you get nothing but Monsanto Ready -- Roundup Ready seeds and you plant those. Are you telling us you have the same problem with them growing at different rates and all that?

MR. WALTERS: Yes.

CHIEF JUSTICE ROBERTS: So that doesn't make the commodity seeds any different?

MR. WALTERS: I'm sorry. I must have misunderstood your question. The commodity seeds, with -- the Roundup Ready commodity seeds will all grow at different rates and have different disease resistance, different maturity rates.

JUSTICE SCALIA: But not the original batch that he buys from Monsanto?

MR. WALTERS: Correct. So --

JUSTICE SCALIA: The original batch that he buys from Monsanto, in addition to being resistant to the chemical that kills the weeds, in addition to that,

they all mature at the same rate.

MR. WALTERS: Exactly. They're of a uniform variety. They are exactly what a farmer needs for their --

JUSTICE SCALIA: So all the Monsanto seeds are not -- are not fungible.

MR. WALTERS: That's correct.

JUSTICE SCALIA: There are some of them that mature early, some mature late.

MR. WALTERS: It makes sense. I mean, they allow these seeds to be dumped into the common grain elevator. They don't put any restrictions on what the elevator does with it. There were no restrictions on my client when he purchased them from the grain elevator.

So it's less of a problem for Monsanto for people going to the grain elevator to plant. Nevertheless, it's -- it's an outright sale, an exhaustion applies to that particular sale, and permits that farmer to use it. It's never going to be a threat to Monsanto's business -- people planting grain elevator seed.

Now, to answer your question, Justice Kagan, about -- well, under our theory, if somebody does breach a contract with Monsanto, they don't have to do it under contract law, they can actually do it under an agency

model, like General Electric did in the 1920s. And then that's only fair because there, the agent growers are assuming -- well, Monsanto was assuming the risk that the farmers are.

And there is some equitability there with the -- the risk sharing between the farmers and Monsanto. Now they want the farmers to take all the risks associated with farming, yet they want to control how they use those seeds all the way down the distribution chain.

I will reserve the balance of my time.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Ms. Sherry?

ORAL ARGUMENT OF MELISSA ARBUS SHERRY,
FOR UNITED STATES, AS AMICUS CURIAE

MS. ARBUS SHERRY: Mr. Chief Justice, and may it please the Court:

I'd like to start by talking about this Court's decision in J.E.M. because I think it largely resolves this case. J.E.M. was a patent case, and the issue there was whether or not you could get a utility patent on a plant. The argument was that you couldn't get a utility patent because the Plant Variety Protection Act implicitly repealed the Patent Act in that respect.

This Court rejected that argument, and the reason it rejected that argument was because it found no conflict between the two statutes. The reason it found no conflict between the two statutes is because it said that it is harder to get a utility patent, and for that reason, you get greater protections -- under the Patent Act, you get greater rights of exclusion under the Patent Act than you do under the PVPA.

And it said, most notably, there is no seed saving exemption in the Patent Act, there is no research exemption in the Patent Act. The consequence of Petitioner's argument would be that this Court would not only be reading a seed-saving exemption into the Patent Act, and a research exemption, it would be doing much, much, much more under the guise of patent exhaustion.

Justice Breyer, as you pointed out, the Exhaustion Doctrine really has nothing to do with this case, and that's because the Exhaustion Doctrine has always been limited to the particular article that was sold, and we are talking about a different article here. And it's never extended to the making of a new article.

CHIEF JUSTICE ROBERTS: Well, but I mean, this -- the reason it's never is because this is an entirely different case. It's the reason it's here because you have the intersection of the Exhaustion

Doctrine and the -- the normal protection of reinvented articles. So I don't think it gets you very far to say that we've never applied the Exhaustion Doctrine that way either. We have never applied the Reinvention Doctrine to articles that reinvent themselves like plant seed.

MS. ARBUS SHERRY: It's true that the Court hasn't had an exhaustion case specifically involving the sort of replicating technology, but when the Court has talked about exhaustion it has always focused on the specific article that's sold and it has done that for a reason. The concept underlying exhaustion is that when the patentholder controls that very first sale it gets the one royalty with respect to the actual article sold.

Petitioner's argument isn't limited to the commodity grain that we are talking about. It's not even limited -- when you talk -- Justice Breyer, you mentioned the three different generations of seeds. There is actually quite a few more generations than those three.

If the concept is the sale of a parent plant exhausts the patentholder's rights, not only with respect to that seed, but with respect to all the progeny seed, we would have to go all the way back to the very first Roundup Ready plant that was created as

part of the transformation event. Every single Roundup Ready seed in existence today is the progeny of that one parent plant and, as Your Honor pointed out, that would eviscerate patent protections. There would be no incentive to invest, not just in Roundup Ready soybeans or not even agricultural technology, but it's quite a bit broader than that.

In order to encourage investment, the Patent Act provides 20 years of exclusivity. This would be reducing the 20-year term to essentially one and only sale. It would be near impossible to recoup your investments with that first sale and so the more likely consequence is that research dollars would be put elsewhere.

The other --

JUSTICE SCALIA: That's a pretty horrible result, but let me give you another horrible result, and that is if -- if we agree with you, farmers will not be able to do a second planting by simply getting the undifferentiated seeds from -- from a grain elevator because at least a few of those seeds will always be patented seeds, and no farmer could ever plant anything from a grain elevator, which means -- I gather they use it for second plantings where the risks are so high that it doesn't pay to buy expensive seed. Now they can't do

that anymore because there's practically no grain elevator that doesn't have at least one patented seed in it.

MS. ARBUS SHERRY: And the answer to that is this is actually not a traditional farming practice. Despite what Petitioner says, farmers do not generally go to grain elevators, buy commingled grain, plant it in the ground as seed. If you look at the American Soybean Association brief submitted on behalf of soybean farmers, it says as much. If you look at the CHS brief, which is submitted on behalf of grain elevators, it also explains that.

And there is a number of reasons why that is the case. They're the reasons that Petitioner talked about, which is that they are an undifferentiated mix, but there are other reasons as well. The business of grain elevators is not to sell commingled grain as seed. If that was their business they would have to comply with seed labeling laws. They do not do so because it's not their business model.

JUSTICE SCALIA: That's why it's so cheap. And that's why farmers --

(Laughter.)

JUSTICE SCALIA: -- and that's why farmers want to use it, for a cheap planting.

MS. ARBUS SHERRY: But farmers wouldn't be able to use it for another reason as well. Even if you take patent law and you put it entirely to the side, there is still the Plant Variety Protection Act.

JUSTICE KENNEDY: But correct me -- correct me if I am wrong; I thought that is what Bowman did.

MS. ARBUS SHERRY: Bowman did, absolutely did it in this circumstance. But Bowman also said that he is not aware of other farmers who are engaging in this practice.

And again, there is another reason. Putting aside the labeling laws, there is the Plant Variety Protection Act and, as Pioneer points out in their amicus brief, it is quite likely that a large amount of the commingled grain is not only protected by patent, but is actually protected by a Plant Variety Protection Certificate, and what Petitioner did here would infringe the Plant Variety Protection Certificate. So even putting patent law to the side, this is not an economically viable source of seed for farmers, regardless.

And Petitioner's argument again isn't limited to the grain elevators. It would apply to saving your own seed and planting it generation after generation.

JUSTICE SCALIA: Sure, sure, I understand.

MS. ARBUS SHERRY: It would apply to selling seeds to your neighboring farmer, and it would allow seed companies to essentially compete with Monsanto upon the first sale.

Now to the extent --

CHIEF JUSTICE ROBERTS: So when -- when are the patent rights exhausted in the seed?

MS. ARBUS SHERRY: The patent rights are exhausted in the seed at the same time they are exhausted with respect to any other product, upon an authorized sale. And so, Justice Breyer, again you had it right when you were saying that you can do what you want. In our view, once there is an authorized sale, you can do what you want with respect to the seed that you've actually purchased. That is the tangible article that you paid for.

But you do need permission from the patentholder in order to make a new generation of seed. If -- to the extent, you know, any middle ground is warranted, with all due respect, we would point to Congress as the appropriate body. This Court said --

JUSTICE SOTOMAYOR: Just so I can follow your -- just so I can follow your answer, Monsanto sells the seed to the farmer. And you are saying if the

farmer grows the seed, he can sell it to anybody he wants, right?

MS. ARBUS SHERRY: If Monsanto authorizes --

CHIEF JUSTICE ROBERTS: I'm putting aside all the contracts and stuff.

MS. ARBUS SHERRY: Right. So if Monsanto authorized that first sale and authorized the planting, they would also have to authorize the sale of the second generation seed because it's a new article. And that's exactly what happened here.

If you look at the technology agreement -- and it's not just because it's a contract because I think it's significant to the analysis -- Monsanto, upon the first sale of the bag of Roundup Ready seed, authorizes the planting for one commercial crop and it authorizes the farmer to sell that as a commercial crop or to use it for any purpose other than replanting.

That is an authorized sale. So if you take that second generation seed -- "second generation" is a bit of a misnomer, but if you take that seed and you follow it through, all of the patent rights with respect to that particular seed have been exhausted. But you cannot take that seed without separate authorization, plant it in the ground, and come up with the next generation of seed. That would be --

CHIEF JUSTICE ROBERTS: That sounds like the patent rights haven't been exhausted then.

MS. ARBUS SHERRY: They have been exhausted with respect to the particular article sold. When the Court's talked about patent exhaustion, you are not exhausting the rights with respect to the patented invention. You're exhausting --

CHIEF JUSTICE ROBERTS: You mean it’s been exhausted with respect to the one bean?

MS. ARBUS SHERRY: Yes, and that's always the case just as if I sell -- I mean, even if you think in the copyright --

CHIEF JUSTICE ROBERTS: That's always the case because it's a very -- the other cases haven't involved the -- this situation where you are talking about a self-regenerating product.

MS. ARBUS SHERRY: But I think there is other technology out there. I mean, even if you think of software, for example, there are plenty of other products where one reasonable use is to make more. I can purchase software; one reasonable use would be to make a dozen other copies to give to my friends or sell on eBay. It's a reasonable use, but it's an infringing one.

CHIEF JUSTICE ROBERTS: Well, we haven't had

that case either.

(Laughter.)

MS. ARBUS SHERRY: The Court hasn't had that case exactly, but it did decide Microsoft v. AT&T, and granted that was on a slightly different issue, but in that case the Court recognized -- that case, it was copies from a master disk, and it treated them as separate copies because they were actually separate articles, even though it was really easy to do, even though the actual copying is not done by human hands, it's done by -- by mechanical processes. In fact, in that case the Court talked and compared the making of software to the reproduction through biological processes, which is what we are talking about here.

And so all we are asking the Court to do today -- I recognize it's a new technology and to the extent new technologies require different rules, Congress is the body that should be making those different rules. And when Congress has acted in this area, in the Plant Variety Protection Act and also in the software context in the Copyright Act, it has not adopted the wholesale exemption that Petitioner is asking for here.

JUSTICE KAGAN: Ms. Sherry -- I'm sorry. In everything you've said you agree with Mr. Waxman. There

is this issue in the case where you disagree, which is the Conditional Sale Doctrine. I am just wondering, before you finish up, could you say a bit about whether that doctrine is causing trouble as it presently exists in the Federal Circuit? In other words, could we just ignore that doctrine if we wanted to, or is it a very problematic one that we should take this opportunity to do something about?

MS. ARBUS SHERRY: Your Honor, may I?

CHIEF JUSTICE ROBERTS: Sure.

MS. ARBUS SHERRY: I think the Court does not need to do something about it in this case. I think Quanta largely decided the issue, even though it didn't say so explicitly, and as far as I'm aware the Federal Circuit has not applied their previous version of the Conditional Sale Doctrine to enforce the post-sale restrictions since this Court's decision in Quanta.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Waxman.

ORAL ARGUMENT OF SETH P. WAXMAN

ON BEHALF OF THE RESPONDENTS

MR. WAXMAN: Mr. Chief Justice, and may it please the Court:

Let me start by answering a couple of, I guess, science or technology questions that came up

before launching into our doctrinal position.

First of all, Justice Kennedy, soybeans are soybeans. They are harvested at a particular point in time, whatever use is going to be made for them. It is not a plant like a flower, geranium for example, which has to be left to go to seed, or alfalfa. The bean is the seed.

All soybeans have to be processed to be used in any way. If they are going to be planted, they have to be cleaned before they are put in the ground at the right time. If they are being fed to either humans or animals, they have to be processed in a way that eliminates an enzyme that makes them indigestible by animals.

Justice Scalia, your question about well, farmers now just can't do second plantings because soybeans are put in huge grain elevators and different varieties are mingled, that is true in the sense that if one or more of those soybeans were protected by a patent, the actual growing of the use of those patented inventions without a license would be infringement, although, of course, if no glyphosate were put on top of it, neither the farmer nor Monsanto would ever know that there was an act of infringement.

But more to the point, farmers -- I mean,

the planting of second crops, that is crop rotation of interspersing soybeans and winter wheat, is very, very common. There are hundreds of thousands of soybean farmers who do this every year.

Mr. Bowman has acknowledged that so far as he knows, he's the only one who's doing it this way. But there are plenty of other ways in which he could obtain a much less expensive crop of -- you know, a particular variety of soybean, so one that will all grow to the same height and germinate at the same time. And in fact, he explained this to the district court in his response to the motion for summary judgment at page 152a of the joint appendix.

He said defendant wanted a cheap source of seed for his second crop beans because of the normal risks in growing "wheat beans;" that is, the second crop that follows the harvesting of winter wheat.

Quote, "defendant simply wasn't going to plant the high priced soybean seed after his wheat crop." And here's the relevant sentence. "Defendant could have purchased conventional seed, that is, non-patented seed, and then saved its offspring for wheat beans."

In other words, he could have gone and bought a non-patented -- a bag of non-patented seed for

much less money, and used it as his second crop, or harvested a portion of it -- and soybeans replicate at a rate between 20 and 80 times in each generation -- and have a perpetual source for his second crop thereafter.

JUSTICE GINSBURG: But he couldn't put the herbicide on -- he couldn't -- if he went and bought conventional seeds, not the genetically improved seeds --

MR. WAXMAN: Exactly.

JUSTICE GINSBURG: -- then -- then he wouldn't -- what would the yield be if he puts the herbicide on it and they are all killed?

MR. WAXMAN: Justice Ginsburg, the -- the glyphosate resistance doesn't change the yield of a particular plant, it changes the way you have to control weeds. And he would not be able to use Monsanto's technology that would allow aerial application of an herbicide. He would have to -- if he wanted to buy plain old, you know, conventional soybeans, he has to control for weeds in the conventional way.

And here's the very next sentence in his response to the Court. "Defendant" -- that is, instead of purchasing conventional seeds and saving them, he says "Defendant decided to purchase a grain dealer's commodity grain because he felt there was a good chance

he would obtain mostly grain that would be resistant to glyphosate," and therefore, he could use Monsanto's technology without having to pay for it.

Mr. Chief Justice, your question about this is a new case and -- let me go first to your first question in the case, which is why would a company ever want to do this? I think the answer is that without the ability -- let's talk about soybeans and then broaden it to other kinds of readily replicable technologies -- without the ability to limit reproduction of soybeans containing this patented trait, Monsanto could not have commercialized its invention, and never would have produced what is, by now, the most popular agricultural technology in America because, as Ms. Sherry was pointing out, the sale of the very first Roundup Ready soybean seed, from which all the trillions of Roundup Ready soybean seeds in existence now derive, would have, under Mr. Bowman's theory, fully exhausted not only Monsanto's rights in that seed that was sold, but in all progeny unto the -- however many generations Justice Breyer thinks is "not too many."

I think it's important to understand how this technology works. The Department of Agriculture licensed Monsanto to engage in a transformation event; that is, to introduce its recombinant gene into soybean

germ plasm. It's illegal to do it unless you get a government license to do it. And you can do it once. And that is done by the technology company, use -- taking something that's called a gene gun and using the gene gun to inject recombinant DNA into regular germ plasm.

JUSTICE SCALIA: What do you mean you can do it once? I don't know what you --

MR. WAXMAN: The -- the Department of Agriculture authorized Monsanto to engage in -- to transform natural -- natural plant material with its recombinant gene in one single event that is referred to as a transformation.

JUSTICE SCALIA: One shot of a gun.

MR. WAXMAN: I think you may be able to shoot several -- I don't know whether you can shoot a whole round or whatever. But in any event, it's one event.

(Laughter.)

JUSTICE SCALIA: You can't rob a bank with it, though, right?

(Laughter.)

MR. WAXMAN: I, in my mind, have been trying to figure out what a gene gun looks like. And I don't know -- I don't know if you could use it to rob a bank.

But the point is -- and the -- the Federal Register site for the transformation event with respect to Roundup Ready is -- is provided in a footnote in our brief. What happens then is that Monsanto uses those transformed cells to grow a soybean plant.

And that soybean plant produces genetic -- produces seeds or soybeans that have the recombinant Roundup Ready technology in it. Monsanto then provides -- in almost all of the cases, Monsanto engages in licensed sales of those transformed seeds to hundreds of different seed companies that produce different varieties, and they make both conventional seed with a particular varietal makeup and a Roundup Ready version of that variety.

Monsanto provides the soybeans that it has transformed to the seed companies, to the hundreds of seed companies for consideration. Under Mr. Bowman's theory, that was it for all of Monsanto's rights with respect to this technology. The very first time it took an original transformed seed and sold it to a seed company so that it could bulk up and cross-breed and produce different varieties, Monsanto had lost all of its patent rights.

In other words, by go at -- having committed hundreds of millions of dollars in 13 years to develop

this technology in the very first sale of an article that practices the patent, it would have exhausted its rights in perpetuity.

Now, we --

JUSTICE KAGAN: Mr. Waxman, there is a worrisome thing on the other side, though, too. And that is that your position has the -- has the capacity to make infringers out of everybody. And that is highlighted actually in this case by how successful this product is and how large a percentage of the market it has had.

So that -- you know, seeds can be blown onto a farmer's farm by wind, and all of a sudden you have Roundup seeds there and the person -- farmer is infringing, or there's a 10-year-old who wants to do a science project of creating a soybean plant, and he goes to the supermarket and gets some edamame, and it turns out that it's Roundup seeds.

(Laughter.)

JUSTICE KAGAN: And, you know, these Roundup seeds are everywhere, it seems to me. There's, what, 90 percent of all the seeds that are around? So it seems as though -- like pretty much everybody is an infringer at this point, aren't they?

MR. WAXMAN: Certainly not. Let me make --

let me make three points, starting with the edamame and moving up to inadvertent infringers.

Edamame is an immature form of the soybean seed. You can plant edamame --

JUSTICE KAGAN: Okay. I'll change the hypothetical.

(Laughter.)

MR. WAXMAN: If I take my -- you know, my Girl Scout troop and have them do a science experiment, it will rot, but it will not generate. And that --

JUSTICE KAGAN: And I thought I was being so clever, too.

(Laughter.)

MR. WAXMAN: Well, it also reminds me that my original answer to Justice Kennedy is wrong, which is that edamame is taken from the pods before the -- the thing becomes actually a seed that can be processed in any other way.

Your point about the ubiquity of Roundup Ready -- Roundup Ready's use is a fair one. I mean, this is probably the most rapidly adopted technological advance in history. The very first Roundup Ready soybean seed was only made in 1996. And it now is grown by more than 90 percent of the 275,000 soybean farms in the United States.

But size -- that is, success -- has never been thought and can't be thought to affect the contour of patent rights. You may very -- with soybeans, the problem of blowing seed is not an issue for soybeans. Soybeans don't -- I mean, it would take Hurricane Sandy to blow a soybean into some other farmer's field. And soybeans, in any event, are -- you know, have perfect flowers; that is, they contain both the pollen and the stamen, so that they -- which is the reason that they breed -- breed true, unlike, for example, corn.

The point that there may be many farmers with respect to other crops, like alfalfa, that may have some inadvertent Roundup Ready alfalfa in their fields may be true, although it's -- it is not well documented. There would be inadvertent infringement if the farmer was cultivating a patented crop, but there would be no enforcement of that.

The farmer wouldn't know, Monsanto wouldn't know, and in any event, the damages would be zero because you would ask what the reasonable royalty would be, and if the farmer doesn't want Roundup Ready technology and isn't using Roundup Ready technology to save costs and increase productivity, the -- the royalty value would be zero.

JUSTICE BREYER: Well, is -- I mean, that is

an interesting question because you can imagine -- you see, this is -- your answer -- this really deals with all -- it could be with genetic patents, with -- with hosts of things which are self-replicating.

MR. WAXMAN: Mm-hmm.

JUSTICE BREYER: And some of the self-replicating items, which are infringing items, end up inadvertently all over the place. Is there anything in the patent law that deals with that? Is an involuntary infringer treated the same under patent law as a voluntary infringer?

MR. WAXMAN: Well --

JUSTICE BREYER: Is -- is there precautions that you take? I mean, is there anything in patent law that helps?

MR. WAXMAN: So infringement is -- unlike contributory infringement or induced infringement, the act of infringement, that is a violation of Section 271 --

JUSTICE BREYER: Right.

MR. WAXMAN: -- is a strict liability tort, but it requires affirmative volitional contact -- conduct. That is, it's not that -- a thing doesn't infringe; a person infringes.

JUSTICE BREYER: Well, the person plants it.

MR. WAXMAN: The person --

JUSTICE BREYER: I mean, he plants it, but he doesn't even know, you know. He's just got -- we can imagine a lot of circumstances where this would be a -- where Justice Kagan's question could apply.

MR. WAXMAN: I mean, take the --

JUSTICE BREYER: But you're just saying that would need a --

MR. WAXMAN: Sure.

JUSTICE BREYER: -- modification in patent law.

MR. WAXMAN: Of course. I mean, take the example, and this goes to I think the comment made by the Chief Justice, that even in the software context, we haven't had this case yet. You did have this case in -- in Microsoft v. AT&T that involved, you know, Microsoft's golden disk that has the Windows Operating System on it, which is patented, and was being exported overseas for introduction into, you know, computers that were manufactured overseas. And AT&T's patent, which was a method of compressing speech, was practiced by the Windows software.

And this Court held that, although the writing of the Windows Operating System into computers in the United States would have infringed the patent,

and when Microsoft did that it did infringe AT&T's patent, the fact that the copies were made onto the hard drives of the computer overseas meant that the act of infringement occurred overseas and there was not an export of -- of an infringing product for the purposes of infringing overseas for purposes of Section 271(f).

So I think you have decided in the context of software, which of course replicates even more readily than soybeans do or vaccines or cell lines or plasmids, that the copies that are actually made when a -- a software is written onto the hard drive of a computer is a different thing than the disk that was sent and is infringing, if it occurs within the United States.

JUSTICE BREYER: What about -- what about the other question --

MR. WAXMAN: So the other one --

JUSTICE BREYER: No, no, no, I want to go back to a different question that was asked, which was the question what do you think we should do about this other aspect of the case, the licensing aspect? I mean, I would have thought it doesn't concern Monsanto's license of generation 1 because, insofar as it's relevant, here generation 1 carries the license that is just permissive.

It is to create generation 2. But -- but they also said something in the circuit about a license -- about a restriction, implied perhaps, on -- on the use of generation 2 by the grain elevator for creating generation 3, namely you can't do that.

Now, they -- they thought, the circuit, that there's some restriction in a license and they have a doctrine that seems to say that you can restrict licenses -- through licenses the use of a product after it's been sold. And that would seem contrary to the First Sale Doctrine.

MR. WAXMAN: Okay. Let me -- let me answer your question this way: First of all, we don't think that there's any need whatsoever for this Court -- we agree with the government that there's no need for the Court to address the question of conditional sales and the extent to which patent law recognizes under some circumstances conditional sales because in this case the Federal Circuit did not address that ground which we advocated and we still advocate, but instead said -- and I'm reading from 14a of the petition appendix.

"Even if Monsanto's patent rights in the commodity seeds are exhausted, such a conclusion would be of no consequence because 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."

In other words, what the Federal Circuit decided, and it is entirely correct and it should be affirmed on that basis, is what you're calling, I think generation 3, let's say that for simplicity's sake, since generation 1 is the original soybean sold by Monsanto to seed companies, let's just say that the bags of soybean seeds that farmers go to purchase from seed dealers is called generation N and they are licensed to produce generation N plus 1. But then, what about N plus 2?

So what the Federal Circuit held is N plus 2 has never been sold. It was created, it exists without a sale, and because a sale is the sine qua non of patent exhaustion, which is also referred to as first sale, there is no exhaustion.

Alternatively, the Federal Circuit said in any event, even when exhaustion applies, it only privileges the using or selling of the article sold; as Your Honor's questions pointed out originally, it never privileges the making of a new infringing product.

JUSTICE KENNEDY: Could -- could you prevail in this case if we focused just on use rather than make?

MR. WAXMAN: If you're referring to generation N plus 2, the answer is yes, because those are newly infringing products with no exhaustion of Monsanto's rights, and as a consequence farmers have no authority to use, make, sell, or offer to sell without Monsanto's authorization. That is a -- just a straightforward application of Section 271.

JUSTICE SOTOMAYOR: Mr. Waxman, I want to go back to Justice Breyer's question and reformulate it as a different question, with I think the same answer --

MR. WAXMAN: Okay.

JUSTICE SOTOMAYOR: -- but I just want to make sure you and the government are exactly on the same page.

Both of you are suggesting, I think -- that was Ms. Sherry's last response -- that we were explicit enough in Quanta and we don't have to address whatever lingering confusion the Federal Circuit may have with respect to conditional sales at all in this case?

MR. WAXMAN: I --

JUSTICE SOTOMAYOR: You're -- you're telling us we don't need to reach that prong and we shouldn't.

MR. WAXMAN: I'm -- I agree that you don't need to reach the prong and you shouldn't.

JUSTICE SOTOMAYOR: I understand we don't

need to, but the question is should we? Is there a need --

MR. WAXMAN: Well, I think --

JUSTICE SOTOMAYOR: -- generally in -- in clarifying some lingering confusion?

MR. WAXMAN: I think that -- I think that an appropriate case will come up where it will be important for you to determine that. And our third argument, which wasn't addressed by the Federal Circuit and isn't necessary to affirm, is that conditional sales are not ipso facto unenforceable; that is, a -- in an instant -- everybody understands that if instead of selling technology, you lease it, and you sign a license that imposes conditions on that lease, you know, unless they are unreasonable, conditions that are reasonably related to exploitation of the invention are enforceable. Mr. Bowman acknowledges that. Everyone acknowledges that.

Our single submission here is that where you have a technology that cannot be leased because it will consume itself in whatever use one makes of it, and therefore has to be -- an article embodying the invention has to be sold and where the invention cannot be commercialized if it -- if the inventor has to realize its full costs of development and a reasonable rate of return on the first sale, the fact that there is

this necessary sale in order to commercialize the invention cannot ipso facto make all such conditions unenforceable. And that's all -- if you were to reach the conditional sale issue in this case, that is all we think this case stands for. And the reason I think --

JUSTICE SOTOMAYOR: Actually then you do have a different position than the government does.

MR. WAXMAN: Yes, and I think the reason, if we take it out of the soybean area, let's look at vaccines. Because the Roundup Ready gene essentially immunizes soybean plants from the herbicide in the same way that a life-saving vaccine will immunize individuals that receive it from some external -- it wouldn't be a herbicide -- a life threat.

Okay. Vaccines are live. They have live cultures; they can regenerate themselves. If a company develops the vaccine for, you know, H1 -- I shouldn't be using -- an important life-saving vaccine --

(Laughter.)

MR. WAXMAN: -- it's unsupportable to say that you cannot sell a quantity of that vaccine without exhausting all of your rights in it.

I mean, when -- when Schering-Plough or Bristol-Myers develops a vaccine and sells some of it to CVS so I can go in and get injected, they haven't lost

all of their patent rights in that vaccine. CVS can't turn around and become a competitor.

JUSTICE SOTOMAYOR: Simplifying this case, you can't take the person who's been given the vaccine and take vials of their blood and keep selling it? Is that your --

MR. WAXMAN: Yes, and keep -- well, keep replicating it in competition. Take another example --

CHIEF JUSTICE ROBERTS: Well, is that how it works?

(Laughter.)

CHIEF JUSTICE ROBERTS: No, I mean I'm serious. I mean, your example, it seems to me, is not quite on point because it's not a situation where the intended use of the vaccine necessarily results in regeneration of it. In your hypothetical, CVS was going to some lab and making more, right?

MR. WAXMAN: Well, CVS was presumably buying it either from the manufacturer or another lab. But the point here is that to take the software example, if I go to, you know, Staples and buy the Windows operating system on a disk, I don't have the authority to put it in a disk replicator and press a button and make a million copies of it. And --

JUSTICE BREYER: But you don't need that

because in each instance, as you say, you are making new ones. It's the making of the new ones, not the use of the old ones, where you prevent that from being done.

MR. WAXMAN: Yeah. Well, let me -- the example that comes to mind is, of course, poor Dr. Chakrabarty who, you know, invented a new man-made bacteria. Bacteria replicate themselves, unlike soybeans which require human intervention. I mean, the notion --

JUSTICE BREYER: Then you use the word "use."

MR. WAXMAN: Excuse me?

JUSTICE BREYER: Then you use the word "use" and you get to the same place.

MR. WAXMAN: I mean, my submission about --

JUSTICE BREYER: I don't think you can think of an example. I mean, you say -- I don't think you can think of an example where if you win on the other ground, you can produce a bad result for the manufacturer or the inventor because you haven't treated the conditional sale like a license. I'm not saying you can't, I just can't think of one.

MR. WAXMAN: Okay. Here's one. I will use something that doesn't make itself because we think that is covered by the new article. Let's say that I invent

a new, miraculous new machine. I get a patent for it.

I want people to be able -- I'm going to commercialize it. Or I'm going to license with people to commercialize it, but I want people to be able to study it and research it. And so, like Monsanto with its seeds, I sign -- I provide a copy of the machine to MIT, with a research-only license; that is, you can use this machine to figure out how it works and develop new applications and all that sort of stuff.

If that sale is exhausting for all purposes, I can't prevent MIT or a third party that MIT provides the machine for --

JUSTICE BREYER: So lease it.

MR. WAXMAN: -- to go into competition with it.

JUSTICE BREYER: So lease it.

MR. WAXMAN: Yes, but you can't lease articles like software and, you know, soybeans that consume themselves in any use, other than an art experiment.

JUSTICE KENNEDY: I do have this problem that goes back to Justice Scalia's example. What about the commodity bin that has 2 percent of the patented seeds in them? Now, you get away from the article by saying, oh, well, almost all seeds are Roundup these

days. But let's have some different commodity where there are three or four different patented items, but 1 percent, 2 percent of the seeds are in the bin. You can't -- you can't sell those. That seems to me a very extreme result.

MR. WAXMAN: Well, I mean, when you say you can't sell them. So, as Ms. Sherry was pointing out --

JUSTICE KENNEDY: You can't sell them if they know they are going to be used for seeds, and you can't use them for seeds even though there is only 1 percent of the seeds?

MR. WAXMAN: That would be true even if this case came out another way, Justice Kennedy. First of all, because grain elevators are prohibited by State and Federal law from selling seed, period. They sell -- they buy grain and they sell grain. They can't sell seed.

Number 2, almost all varieties of soybeans or other crop plants are currently protected by the -- under the patent -- the Plant Variety Protection Act. As this Court and Congress recognized, the requisites for getting a certificate are -- I mean, it's like a registration requirement.

And we know from J.E.M., and the relevant provision of the PVPA, that it is unlawful to divert

crops that are protected by a PVPA certificate for reproductive uses. So irrespective of all of this, whatever happens, even if there is only 1 percent of patented soybeans in a grain elevator, the grain elevator can't sell it as seed both under the Federal and State seed laws and under the Patent Variety Protection Act.

That's why the solution for farmers like Monsanto -- like Mr. Bowman, is to simply buy conventional seed, multiply it, you know, 20, 30, 40, 50, 80 times in a single generation and save 1/80th of it to replant in his second crop, if he doesn't want to buy Roundup Ready technology for his second crop and use the glyphosate aerially.

Unless the Court has further questions, we will submit.

CHIEF JUSTICE ROBERTS: Thank you, Mr. Waxman.

Mr. Walters, you have five minutes remaining.

REBUTTAL ARGUMENT OF MARK P. WALTERS
ON BEHALF OF THE PETITIONER

MR. WALTERS: I'd like to first address the statement that this is not a traditional farming practice. It may be occasional, when a farmer is in a

real desperate situation, or it may apply to Mr. Bowman's situation, where he wanted a very cheap source of seed for his second crop.

But in the record at 153a, among other places, he discusses how he's gone to the grain elevator over the years a number of times, and how other farmers have gone to the grain elevator for generations. So a ruling in favor of Monsanto here would effectively eliminate that seed --

JUSTICE SCALIA: Do you agree that it's unlawful for grain elevators to sell it for replanting?

MR. WALTERS: No. I do not. And what he is referring to is State labeling laws that prevent grain elevators from actually scooping up grain, packaging it up and saying this is seed, because they all look alike to -- to the eye. And so grain elevators are certainly not allowed to dupe seed purchasers, but those laws are there to protect the seed purchasers.

Mr. Bowman bought grain without any restrictions on how he could use it. That broke no laws, and it does not violate the PVPA. I mean, Monsanto didn't assert a PVPA certificate. Surely it has them. Did not assert them in this case and could not assert them in this case because there's no single variety that Mr. Bowman planted. So that's not a good

argument.

CHIEF JUSTICE ROBERTS: What -- what about Mr. Waxman's suggestion that we've already decided this in Microsoft v. AT&T?

MR. WALTERS: That case is not on point, Your Honor. That had to do with 271(f), and actually came out on the side of more restrictive patent rights. And this is not like software. This is an invention that the only way to use the invention -- now, repeat, the only way to use the invention -- is to plant it and to grow more seeds.

So if you don't apply the Exhaustion Doctrine and allow someone to use it, you're choosing patent rights over personal property rights, and that's never been done in 150 years of this Court's exhaustion case law.

JUSTICE BREYER: Don't people or animals eat them?

MR. WALTERS: That is certainly a use, but it's not the invention.

JUSTICE BREYER: Well, then why is it the only way you can do is to plant them? That isn't the only thing you could do with it.

MR. WALTERS: Well, that's not use of the --

JUSTICE BREYER: You can go buy them in the

grain elevator and sell them for other things.

MR. WALTERS: It's not use of the invention, Justice Breyer. And exhaustion is about conferring on the purchaser a right to use the invention. There's no limit to Monsanto's --

JUSTICE BREYER: The invented product. The invented thing. The invented aspect of the seed is it has a gene in it that repels some other insecticide or something that they have. I understand that.

MR. WALTERS: The same argument came up in Quanta, Your Honor, with --

JUSTICE BREYER: You don't use that. I don't think they used that particular -- well, go ahead. You go ahead.

MR. WALTERS: There were other uses for the computer chips, of course, that were asserted. And the key was that those computer chips practiced the patent. And you would swallow up the Exhaustion Doctrine entirely if we just could think of other uses for these things that have been sold.

The key is, does it use -- is the purchaser allowed to use the invention? And under Monsanto's theory, the purchaser isn't allowed to do that. And that's no Exhaustion Doctrine at all --

JUSTICE BREYER: The people buying from

grain elevators are mostly people who take these chips -- whatever they are, the seeds -- and they sell them for making tofu, they sell them to eat, or this -- there are loads of uses, aren't there?

MR. WALTERS: But the only use of the invention is to plant it, and that's the use that Mr. Bowman makes.

JUSTICE SCALIA: Yes, but -- but that's -- nothing prevents him from planting it. What he is prevented from doing is using the -- the consequences of that planting, the second generation seeds, for another planting. That's all he is prevented from doing. He can plant and harvest and eat or sell. He just can't plant, harvest, and then replant.

MR. WALTERS: So -- the judgment in this case was based on acres planted, and so I'm not sure how many -- we talked a bit about the N plus 2 generation, and we don't know in the record what the N plus 2 generation was, in terms of his sales or his yields. That wasn't before the district court on summary judgment. So I'm not sure how you could affirm based on the judgment below, which was a finding that conditional sales prevented the application of the Exhaustion Doctrine.

The other thing --

CHIEF JUSTICE ROBERTS: I'm sorry, I didn't follow that answer to Justice Scalia's question.

MR. WALTERS: Could you ask it again?

JUSTICE SCALIA: You know, you're saying that you are preventing him from using it. He's not prevented from using it. He can use it for what it's meant for, for raising a crop. He just cannot use the product -- that new crop -- for replanting. That's all. He has to sell that new crop for feed or for some other purpose. But to say that -- that he's prevented from using what he has bought is simply not true. He can use it, plant it, and harvest the crop.

MR. WALTERS: But you're saying that there's no exhaustion in the progeny where he owns that seed outright.

With that, we'll submit, and we'll ask that the Court of Appeals be reversed.

Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

The case is submitted.

(Whereupon, at 12:37 p.m., the case in the above-entitled matter was submitted.)