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SAVING ROUNDUP READY® BEANS FOR SEED?

TRANTHAM, MCFARLING, AND SCRUGGS SAY “NO”

by Donald L. Uchtmann*

Can farmers save Roundup Ready® beans for seed without being liable for patent infringement or breach of contract? The answer was “No” several years ago when the author examined the question.¹ That 2002 analysis was based primarily on two cases, *Trantham*² and *McFarling*.³ This article expands on the earlier analysis, including discussion of more recent cases, e.g., *McFarling II*⁴ (2004 case addressing the enforceability of a particular “liquidated damages” clause in Monsanto’s technology agreement), *Scruggs*⁵ (2006 case involving Mississippi farmers who saved seed), *Quanta*⁶ (2008 U.S. Supreme Court case involving patented computer technology), and *Parr*⁷ (2008 case addressing the liability of an Indiana seed cleaning business for cleaning Roundup Ready® beans). As will be seen below, the short answer to the question whether farmers can save Roundup Ready® beans for seed without being liable for patent infringement or breach of contract remains “No”. Although not the focus of this article, Roundup Ready® Cotton and other patented seeds would have a similar answer.

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From The AALA President

by Maureen Kelly Moseman

Dear Members of the American Agricultural Law Association:

The Board of Directors for the American Agricultural Law Association (AALA) is pleased to announce two new benefits of your membership in our association. These benefits are the result of recommendations of the AALA Membership Committee.

(1) The United States Agricultural & Food Law and Policy Blog is the comprehensive news, research, and information blog resource for the nation’s agricultural community. The Blog (a web-based log of information) is provided through a partnership of the National Agricultural Law Center at the University of Arkansas and the American Agricultural Law Association, two national institutions that uniquely serve the nation’s agricultural community.

The National Agricultural Law Center is a federally funded, nonpartisan research and information entity that provides comprehensive agricultural and food law research and information to the nation’s vast agricultural community, which includes attorneys, producers, policymakers, academics, extension personnel, consumers, and others. The Center is funded through the National Agricultural Library, an agency within the Agricultural Research Service of the United States Department of Agriculture.

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Why does it matter? If farmers saved seeds from their harvest of Roundup Ready® soybeans and planted those second generation seeds the next year, the farmers could (a) avoid the costs of buying new seed (e.g., in 2009 about \$40 per 50 pound unit of untreated soybean seed), and (b) produce a new crop comparable to one grown from purchased seeds.⁸ Understandably, many farmers would like to save Roundup Ready® seed, if they could do so without liability for patent infringement or breach of contract.

To counter this desire, Monsanto, the company that developed Roundup Ready® technology, relies on legal barriers to saving seed. Monsanto justifies its enforcement actions by noting that the development of genetically engineered seeds requires millions of dollars. If a company is to recover its research and development costs, it must prevent the new technology from becoming a free good (via saving seed) after just one planting season.⁹

This article (a) briefly discusses utility patents and restrictive agreements as important legal tools prohibiting saving seed, (b) summarizes the facts of *Trantham*,¹⁰ *McFarling*,¹¹ and *Scruggs*,¹² three cases illustrating situations where farmers attempted to save seed, (c) reviews the arguments of the farmer-defendants in attempting to justify saving seed, and (d) briefly describes the damages a farmer who saves seed may be required to pay under patent and contract law. The article concludes that farmers may dislike these legal barriers to saving Roundup Ready® beans for seed, but the legal barriers are being upheld by federal courts.

Key Legal Barriers To Saving Roundup Ready® Seed

Utility Patents: Utility patents provide the right to exclude others from making, selling, or using within the United States the patented invention for twenty years from the date the utility patent application was filed.¹³ In *J.E.M. Ag Supply v. Pioneer Hi-Bred International, Inc.*,¹⁴ the Supreme Court held that utility patents could be issued for plants.¹⁵ Monsanto's utility patents cover the glyphosate-tolerant plants (Roundup Ready® plants), the genetically modified seeds for such plants, the specific modified

genes, and the method of producing the genetically modified plants. Using or selling Roundup Ready® soybeans, seeds, or genes within the territorial boundaries of the United States without authority from Monsanto would be an infringement of Monsanto's patent. An infringement may be enjoined, and the infringer is liable for not less than a reasonable royalty for use of the technology and, in some cases, for reasonable attorney fees.¹⁶

Contract provisions: A "no saved seed" clause is common in the agreements farmers must sign as a condition for using Roundup Ready® seeds. For example, Monsanto's 2009 Technology/Stewardship Agreement requires that the seeds be used "solely for planting a single commercial crop," and directs the licensee-grower not to "save or clean any crop produced from Seed for planting, ... [or] supply Seed produced from Seed to anyone for planting other than to a Monsanto licensed seed company"¹⁷ Such agreements create contractual barriers to saving seed.

Such agreements also may provide the technology company with tools for enforcing the "no saved seed" clause. For example Monsanto's 2009 Agreement allows Monsanto, upon written request to the grower, to review the "Farm Service Agency crop reporting information on any land farmed by Grower ... [including] aerial photographs, Risk Management Agency claim documentation, and dealer/retailer invoices for seed and chemical transactions." The agreement also allows Monsanto "to examine and copy any records and receipts that could be relevant to Grower's performance of this Agreement."¹⁸

Federal Cases Where Farmers Saved Roundup Ready® Beans for Seed – the Facts

Trantham,¹⁹ *McFarling*,²⁰ and *Scruggs*,²¹ are three federal court cases involving farmers who saved Roundup Ready® beans for planting, were sued by Monsanto for patent infringement or breach of contract, and were not successful in challenging the legal barriers to saving Roundup Ready® beans for seed.

In *Trantham*, a Tennessee farmer had purchased and planted Roundup Ready®

soybean seeds in 1999, but did not sign Monsanto's technology agreement (instead, the dealer apparently forged the farmer's signature). Mr. Trantham then harvested the 1999 crop, allegedly saved seeds from the harvest, and allegedly used them to plant his 2000 crop. Monsanto sued for patent infringement, since Monsanto had not granted the defendant a license to use the technology. Mr. Trantham filed counterclaims of monopolization, attempted monopolization, conspiracy to monopolize, and unreasonable restraint of trade. The U.S. District Court granted Monsanto's motion for summary judgment on these counterclaims.²²

Regarding Monsanto's patent infringement claim, the court allowed Monsanto to enter Defendant's land and collect samples of his crops for testing. Tests performed on the soybean samples demonstrated that Monsanto's patented genes were in 100% of the samples from eleven fields. The evidence clearly established that Mr. Trantham was using Monsanto's patented seed technology in his soybean fields. The district court granted summary judgment for Monsanto on its patent infringement claims; the only remaining issue was damages.²³

In *McFarling*, a Mississippi farmer, purchased and planted Roundup Ready® soybeans in 1997 and 1998. Mr. McFarling signed Monsanto's technology agreement that (a) required that the seeds be used "for planting a commercial crop only in a single season," (b) directed the licensee-grower not to "save any crop produced from this seed for replanting, or supply saved seeds to anyone for replanting," and (c) provided for liquidated damages of 120 times the applicable technology fee. Mr. McFarling saved some Roundup Ready® beans from his first harvest and planted these second generation seeds the next season; he repeated this practice the following year; he also stated he intended to save seed from his 2000 harvest and plant them in 2001, unless enjoined by the court.

Monsanto filed suit, alleged patent infringement and breach of contract, and requested a preliminary injunction. The district court granted the preliminary injunction. Defendant appealed, arguing,

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inter alia, that Monsanto's technology agreements were an illegal restraint on trade and that the patents were unenforceable. The U.S. Court of Appeals for the Federal Circuit affirmed the district court's grant of the preliminary injunction.²⁴

Mr. McFarling also challenged the forum selection clause of the technology agreement. Under this clause, the parties consented to the exclusive jurisdiction of the U.S. District Court for the Eastern District of Missouri, Eastern Division, and the Circuit Court for the County of St. Louis, State of Missouri, for all disputes arising under the agreement. The District Court held that the forum selection clause was valid and enforceable. The U.S. Court of Appeals agreed, but there was a vigorous dissent.²⁵ It should be noted that Monsanto's 2009 Technology Agreement contains a similar forum selection clause.²⁵ Further discussion of the forum selection clause is beyond the scope of this article.

The issue of whether the liquidated damages clause (Monsanto was to receive 120 times the applicable technology fee) in the technology agreement was an unreasonable penalty was decided by the U.S. Court of Appeals in a separate case. That case is discussed below in a separate section dealing with damages.

In *Scruggs*, Mitchell and Eddie Scruggs (two Mississippi farmers), their farm supply company, and other joint ventures were sued by Monsanto on claims mirroring those in *McFarling*. Mr. Scruggs purchased both Roundup Ready® soybean and cotton seeds from various seed suppliers, but he never signed Monsanto's standard licensing agreement. After planting and harvesting the crops, Mr. Scruggs saved the new generation seeds and planted them the following season.

Monsanto investigated Mr. Scruggs' activities and filed suit alleging infringement of multiple patents. Scruggs claimed several affirmative defenses arguing that (1) Monsanto engaged in impermissible tying; (2) that an implied license to use the technology existed; (3) that patent exhaustion prohibited suit; (4) that Monsanto violated the Plant Variety Protection Act; and that Monsanto had (5) misused an (6) invalid patent. In 2006 the U.S. District Court for

the Northern District of Mississippi granted Monsanto's motion for summary judgment for patent infringement, based on Scruggs' admission that he purchased Monsanto's seeds without a license and saved some of the harvest to be used as seeds for a subsequent planting. The appellate court affirmed the trial court's summary judgment for patent infringement.²⁷

Read together, *Trantham*, *McFarling*, and *Scruggs* identify a set of arguments that attempt to justify saving seed, notwithstanding the apparent legal barriers. None of the arguments succeeded in court. These issues and arguments are discussed below.

Issues in *Trantham*, *McFarling*, and *Scruggs* and Arguments Attempting to Justify Saving Seeds

1. Does the Plant Variety Protection Act allow farmers to save Roundup Ready® seed, even though Monsanto has utility patent protection?

The Plant Variety Protection Act (PVPA), 7 U.S.C.A. §2321 (West 1999), one tool for protecting intellectual property in plants, contains a "farmer's saved seed" exemption that gives farmers a limited right to save seed from plants registered under the PVPA. Mr. McFarling argued that Monsanto's prohibitions on saving Roundup Ready® beans violated the farmer's saved seed exemption of the PVPA, since he saved beans only for his own use the following season as allowed by the PVPA. The court disagreed. It concluded that the right to save seed from plants registered under the PVPA does not impart the right to save seed protected under the Patent Act.²⁸

2. Do the doctrines of patent exhaustion and first sale prevent Monsanto from enforcing its restrictive agreements and patent rights in Roundup Ready® beans?

Under the doctrines of patent exhaustion and first sale, a patentee's control over the use of a patented device is exhausted by the sale of the device, and no further restriction can be placed by the patentee on the buyer's use of that device. Mr. Trantham, Mr. McFarling, and Mr. Scruggs argued that once the patented seeds were sold to the farmers, Monsanto's patent rights in the

purchased Roundup Ready® seeds and their offspring were exhausted. The courts disagreed, noting that the doctrine does not apply to an expressly conditional sale or license, such as those involving Roundup Ready® seeds.²⁹ In *Scruggs*, the language of the Federal Circuit Court of Appeals was especially forceful: "Applying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder."³⁰

*Quanta*³¹ is a 2008 U.S. Supreme Court decision involving patented computer technology. The *Quanta* decision was less favorable to the patent holder and prompted Mr. Scruggs to petition the district court to reconsider its 2006 order (favorable to Monsanto) denying Scruggs' motion for summary judgment. On March 3, 2009 the district court denied that motion but immediately certified the case for appeal.³² On May 4, 2009 the Federal Circuit Court of Appeals denied the petition for permission to appeal, but noted that Mr. Scruggs could raise these issues on appeal from the final judgment or injunction.³³ The court quoted the holding in its 2006 decision, "the patent exhaustion doctrine was inapplicable because (1) the initial sale from Monsanto was not an 'unrestricted sale' and (2) the second generation of seeds were never 'sold.'"³⁴

3. Is Monsanto's agreement with all seed dealers, that anyone buying Roundup Ready® seeds must sign a technology agreement that prohibits saving seed, an unreasonable restraint of trade under the Sherman Act?

Under Section 1 of the Sherman Act "[e]very contract . . . in restraint of trade or commerce . . . is hereby declared illegal." 15 U.S.C.A. §1 (West 1997). Courts construe this section to preclude only contracts or combinations which "unreasonably" restrain competition. Both Mr. McFarling and Mr. Trantham argued that the licensing agreements between Monsanto and seed companies, all of which require farmers purchasing Roundup Ready® seeds to sign the agreements prohibiting farmers from saving seed, are unreasonable restraints

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on trade in violation of Section 1. In *Trantham*, the court concluded that such arguments, without evidence of anticompetitive behavior, will not support a claim for unreasonable restraint of trade.³⁵ In *McFarling*, the appellate court agreed that Mr. McFarling was unlikely to succeed on his claims under the Sherman Act.³⁶

Mr. McFarling also argued that the agreements preventing farmers from saving seed created an illegal tying arrangement in that the agreements required farmers to buy new Roundup Ready® seeds each year instead of allowing farmers to produce their own seeds from the prior crop. The District Court noted that Mr. McFarling was not required to buy Roundup Ready® seeds the following year; instead, he could buy non-Roundup Ready® seeds from any seed company if he were willing to forego the grower benefits of Roundup Ready® beans. The U.S. Court of Appeals agreed, noting that the record did not support the theory that farmers were required to buy future patented seeds from Monsanto in order to buy present patented seeds.³⁷ The Federal Circuit rejected similar tying arguments in *Scruggs*. The court noted that subsequent generation seeds were virtually identical to the first generation products and thus rejected the illicit tying arguments under Section 1 of the Sherman Act due to insufficient evidence.³⁸

4. Is Monsanto guilty of monopolization in violation of Sec. 2 of the Sherman Act, thus barring Monsanto's suit for patent infringement?

To sustain allegations of monopolization, a plaintiff must prove both prongs of the two-pronged test for monopoly: (a) defendant's "possession of monopoly power in the relevant market," and (b) defendant's "willful acquisition or maintenance of monopoly power as distinguished from growth or development as a consequence of a superior product (emphasis added), business acumen, or historic accident."³⁹ In *Trantham*, the court found that Monsanto's share of the U.S. soybean seed market was 20% to 30% and that this share did not represent possession of monopoly power in a relevant market. The court also found that the remarkable growth in Roundup Ready® seed sales resulted from the perception that these beans were a superior product. Since

neither prong of the test for monopolization had been met, the court granted Monsanto's motion to dismiss the monopolization counterclaim.⁴⁰

In *McFarling*, the U.S. Appellate Court noted that a purchaser's desire to buy a superior product does not require benevolent behavior by the seller of the superior product. Nor does an inventor of new technology violate the antitrust laws merely because its patented product is preferred by consumers. "The commercial advantage gained by new technology and its statutory protection by patent do not convert the possessor thereof into a prohibited monopolist."⁴¹

5. Does the high price charged for Roundup Ready® soybean seeds, especially when compared to the price Monsanto charges for such seeds in other countries, bar Monsanto from suing for patent infringement?

Mr. McFarling complained that the price charged for Roundup Ready® seeds is high compared to non-Roundup Ready® seeds. The U.S. Court of Appeals noted that "in a market economy . . . there is no requirement that a patentee must lower his price to that of the less desired products he replaces."⁴²

Mr. Trantham argued that Monsanto engaged in anticompetitive behavior that hurt U.S. farmers, namely, selling its Roundup Ready® beans in Argentina at lower prices and not requiring Argentine farmers to sign restrictive licensing agreements. The court noted that Monsanto was not able to secure a patent on the Roundup Ready® technology in soybeans, due to changes in the Argentine patent law. Monsanto, therefore, had to sell Roundup Ready® seeds in Argentina like conventional soybean seeds. Requiring certain license terms in the U.S. where Monsanto has a patent, while not requiring the same terms in countries where it does not have a patent, is not anticompetitive behavior.⁴³

6. If a seed dealer has forged the farmer's signature on the technology agreement, does the doctrine of unclean hands bar Monsanto from suing for patent infringement?

Mr. Trantham argued that Monsanto's claims of patent infringement were barred by the doctrine of unclean hands because the local seed dealer, Monsanto's agent

in selling Roundup Ready® seeds, forged Mr. Trantham's name on the technology agreement. The court noted that the cases cited by Mr. Trantham would only bar Monsanto from suing to enforce the terms of its technology agreement, but would not bar Monsanto from suing for patent infringement.⁴⁴ The court also refused to find an implied license to save seed, arising from the forged signature.⁴⁵

7. If a farmer does not sign the technology agreement, is Monsanto precluded from bringing an infringement action and is there thus an implied license to save and reuse the patented technology?

Mr. Scruggs argued that the company never signed Monsanto's technology agreement and that it had an implied license to save and reuse Roundup Ready® soybean and cotton seeds. The court disagreed. Patent rights are not extinguished by a failure to sign an agreement and, as the court noted, "Scruggs had 'no reasonable expectation that they could use Monsanto's patented biotechnology unless they first obtained a license.'"⁴⁶ The Federal Circuit adopted the reasoning of the trial court, which pointed out that Monsanto requires all seed suppliers to affix a notice on seed bags informing purchasers that the products are protected by patent and that a license must be obtained to use the biotechnology. As such, the court found that any argument that an implied license existed was unreasonable.⁴⁷

Farmer Liability for Patent Infringement or for Violation of a "No Saved Seed" Clause in a Technology Agreement.

Patent Infringement: The Patent Act⁴⁸ specifies the damages for patent infringement. At a minimum, the damages include "a reasonable royalty for the use made of the invention by the infringer, together with interest and costs fixed by the court." In addition, the court may increase the damages by up to three times the actual damages (this is called "treble damages"), for example, when the infringement is deliberate.⁴⁹ Furthermore, in exceptional cases, the infringer may be required to pay the patent holder's reasonable attorney fees.⁵⁰ This is not an exhaustive list of the potential components of damage, but it includes the most important components.

The *Trantham* case discussed above

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provides an example of patent infringement damages in the context of saving Roundup Ready® seeds. Mr. Trantham was found liable for patent infringement. Total damages awarded by the court were \$592,678 made up of \$318,398 (treble the actual damages), \$9,005 (interest), and \$265,275 (half of Monsanto's attorney fees).⁵¹ As illustrated in *Trantham*, the damages potentially recoverable from a farmer who saves patented seeds, thereby infringing on the patent, are substantial.

The farmer may not be the only one liable for damages under patent law. In *Monsanto v. Parr*, decided in 2008 by the U.S. District Court for the Northern District of Indiana, the owner of Custom Seed and Grain Cleaning was sued for direct patent infringement or, alternatively, inducing infringement.⁵² Mr. Parr provided "seed cleaning" services, a process in which crops are run through a cleaner to remove stems, leaves, dirt, and other undesirable materials from seeds so that they can be replanted. Mr. Parr advertised his services, issued a disclaimer in his contracts that he was not responsible for any patent infringement committed by individual farmers, and expressly advised farmers that saving and replanting Roundup Ready® seeds was illicit. In finding that Mr. Parr was liable for inducing patent infringement, the court noted that he had actual knowledge that Roundup Ready® seeds were patented and that he took affirmative steps encouraging patent infringement. The court issued a permanent injunction against Parr and a \$40,000 judgment in favor of Monsanto, enforceable only if Mr. Parr violates the court order.

Liquidated Damages Clauses in the Technology Agreement: We have previously discussed the *McFarling* case decided in 2002⁵³ [below we refer to this case as *McFarling I*]. In *McFarling I* defendant argued that Monsanto's technology agreements were an illegal restraint on trade and that the patents were unenforceable. The U.S. Court of Appeals for the Federal Circuit affirmed the district court's grant of the preliminary injunction (ordering *McFarling* not to save seed) and upheld Monsanto's forum selection clause in the technology agreement.⁵⁴ However, whether Monsanto's liquidated damages clause in

the technology agreement was enforceable would be decided in a subsequent case [*McFarling II*].

The lower court ordered Mr. *McFarling* to pay Monsanto substantial liquidated damages of \$780,000.⁵⁵ This six-figure damages award was arrived at using a formula in Monsanto's technology agreement. The formula provided for damages equal to the licensing price per bag of seed (at the time, \$6.50), multiplied by the number of bags (1,000 was used as a base), and enhanced by a multiplier of 120. This agreement provided Monsanto with damages 120 times larger than the lost revenue resulting from the infringer saving the patented seeds. *McFarling II* rejected the damages clause in the technology agreement as an impermissible penalty rather than acceptable liquidated damages (a reasonable estimate of actual damages).⁵⁶

In the years following the *McFarling II* decision, Monsanto has removed the liquidated damages clause from its technology agreement. See for example, the technology agreement for 2009 available at <http://www.dahlgoseeds.com/images/corn/2009Monsanto.pdf>.

Summary and Conclusion

Two important legal barriers to saving seed from a Roundup Ready® bean crop are (a) the intellectual property protection secured by Monsanto when it acquired utility patents for Roundup Ready® technology, and (b) the contract provisions (licensing agreements) signed by farmers as a condition of acquiring Roundup Ready® seeds.

Monsanto v. Trantham,⁵⁷ (*McFarling I*), and *Monsanto v. Scruggs*,⁵⁸ involved farmers who were caught using saved seeds. The defendant farmers raised various issues and advanced numerous arguments to justify saving seed. In considering these arguments, the courts concluded, at least as to Mr. Trantham, Mr. *McFarling*, or Mr. *Scruggs*:

- The right to save seed from plants registered under the Plant Variety Protection Act does not convey to farmers the right to save seed from plants, like Roundup Ready® soybeans, that contain technologies patented under the Patent Act.

- The doctrines of patent exhaustion and first sale do not prevent Monsanto from enforcing its restrictive agreements and

patent rights in Roundup Ready® beans.

- Monsanto's agreement with all seed dealers, that anyone buying Roundup Ready® seeds must sign a technology agreement that prohibits saving seed, is not an unreasonable restraint of trade under the Sherman Act.

- Allegations that Monsanto is guilty of monopolization, attempted monopolization, or conspiracy to monopolize in violation of the Sherman Act, are not supported by the evidence.

- Monsanto is not precluded, because the price of Roundup Ready® soybean seeds is high (especially when compared to the price charged in other countries), from enforcing its patent rights against U.S. farmers who saved seed.

- Where a seed dealer has forged the farmer's signature on the technology agreement and this farmer saves seeds, the doctrine of unclean hands does not bar Monsanto from suing for patent infringement (but Monsanto could be barred from enforcing other terms of the technology agreement).

- When a farmer does not sign the technology agreement, the farmer does not have an implied license to save and reuse the patented technology and Monsanto can bring a patent infringement action.

As seen in *Trantham*, *McFarling*, and *Scruggs*, courts have generally upheld the intellectual property rights of a biotechnology company in patented seeds. Thus, a farmer who infringes on this patent right by saving seed is liable for damages described in the Patent Act.

Damages for patent infringement include a reasonable royalty together with interest, and, as seen in *Trantham*, the possibility of "treble damages" and reasonable attorney fees of the patent holder. People who are in the business of cleaning seed may also be liable for damages under patent law. An alternative basis for determining damages – breach of contract – may be present when the farmer has violated the terms of the technology agreement. However, the "excessive" liquidated damages clause used by Monsanto in the *McFarling* technology agreement was held by the courts to be unenforceable. Monsanto's current technology agreement does not contain a liquidated damages

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clause.

Although farmers may dislike the legal barriers to saving Roundup Ready® beans for seed, the barriers have been upheld by federal courts when challenged by farmers who were caught saving beans for seed. It appears unlikely that farmers who disregard the legal barriers to saving seed, or who plant Roundup Ready® beans acquired from another without authorization from Monsanto, can successfully defend such conduct in court, absent new developments in the law.

At first blush, this appears to be bad news for an individual farmer. However, if effective legal barriers to saving seed are truly a necessary condition for the development of new soybean seed technologies, then the presence of legal barriers to saving seed may actually be good news for U.S. farmers generally. The law anticipates that innovative seed technologies will create useful benefits for U.S. farmers, consumers, and society at large. This is the *quid pro quo* for the profits earned by innovating companies and the justification for the legal protections afforded intellectual property.⁵⁹

Endnotes

¹ Donald L. Uchtmann, “Can farmers save Roundup Ready® beans for seed? *McFarling* and *Trantham* say ‘no’,” *Agricultural Law Update* (October 2002).

² *Monsanto v. Trantham*, 156 F. Supp. 2d 855 (W.D. Tenn. 2001).

³ *Monsanto v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002).

⁴ *Monsanto v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004).

⁵ *Monsanto v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006).

⁶ *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S. Ct. 2109 (2008).

⁷ *Monsanto v. Parr*, 545 F. Supp. 2d 836 (N.D. Ind. 2008).

⁸ Seeds saved from a soybean crop often perform well. Contrast hybrid seed corn, where the seeds saved from harvest do not perform well because the second generation corn plants lack hybrid vigor.

⁹ See Daniel Charles, *Lords Of the Harvest* 187, 190 (2001); see also Jay P. Kesan, “Intellectual Property Protection

and Agricultural Biotechnology: A Multidisciplinary Perspective,” 44 *American Behavioral Scientist* 487-502 (2000); Jason Savich, “*Monsanto v. Scruggs*: The Negative Impact of Patent Exhaustion on Self-Replicating Technology,” 22 *Berkeley Tech. L.J.* 115 (2007) (discussing the economic factors that encourage R&D).

¹⁰ *Monsanto v. Trantham*, 156 F. Supp. 2d 855 (W.D. Tenn. 2001).

¹¹ *Monsanto v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002).

¹² *Monsanto v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006).

¹³ 35 U.S.C.A. §271 (West 2001).

¹⁴ *J.E.M. Ag Supply v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001). This 2001 case dealt specifically with patentability of seeds. A 1980 U.S. Supreme Court case had addressed the broader question of whether utility patents could be issued for novel life forms. In *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), the U.S. Supreme Court specifically held that a utility patent could be issued for a man-made, oil-eating microorganism. In a broader sense, the court declared that utility patents could be issued for life forms from nature (i.e., “products of nature”) if they are in some way altered by human hands.

¹⁵ In *J.E.M. Ag Supply v. Pioneer*, the petitioner argued that utility patents could not be issued for plants because the Plant Variety Protection Act, 7 U.S.C.A. §2321 (for sexually reproducing plants like corn and soybeans) and the Plant Patent Act, 35 U.S.C.A. §161 (for plants reproducing asexually, e.g., through grafting) were the exclusive federal statutory tools for acquiring patent-like protection for plants. The Supreme Court disagreed and held that utility patents could be issued for plants. *J.E.M. Ag Supply v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124, 145 (2001). For corn or soybeans, the ruling is significant because utility patents provide more extensive coverage and greater protection to the inventor than the Plant Variety Protection Act.

¹⁶ 35 U.S.C.A. §§283-285 (West 2001).

¹⁷ 2009 MONSANTO TECHNOLOGY/STEWARDSHIP AGREEMENT (paragraph

4) available at <http://www.dahlcoseeds.com/images/corn/2009Monsanto.pdf>.

¹⁸ 2009 MONSANTO TECHNOLOGY/STEWARDSHIP AGREEMENT (paragraph 4) available at <http://www.dahlcoseeds.com/images/corn/2009Monsanto.pdf>.

¹⁹ *Monsanto v. Trantham*, 156 F. Supp. 2d 855, 868, 872 (W.D. Tenn. 2001).

²⁰ *Monsanto v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002).

²¹ *Monsanto v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006).

²² *Monsanto v. Trantham*, 156 F. Supp. 2d 855, 864-65 (W.D. Tenn. 2001).

²³ *Monsanto v. Trantham*, 156 F. Supp. 2d 855, 868, 872 (W.D. Tenn. 2001).

²⁴ *Monsanto v. McFarling*, 302 F.3d 1292 (Fed. Cir. 2002).

²⁵ In his dissent, Judge Clevenger argued that Monsanto’s technology agreement might be a contract of adhesion. *Monsanto v. McFarling*, 302 F.3d 1292, 1300-1307 (Fed. Cir. 2002).

²⁶ 2009 MONSANTO TECHNOLOGY/STEWARDSHIP AGREEMENT (paragraph 3) available at <http://www.dahlcoseeds.com/images/corn/2009Monsanto.pdf>.

²⁷ *Monsanto v. Scruggs*, 459 F.3d 1328 (Fed. Cir. 2006); see Mary Ann Liebert, *Monsanto’s Patents and License Agreement Again Upheld*, 25 *Biotechnology L. Rep.* 564 (2006) (analyzing *Scruggs*).

²⁸ *Monsanto v. McFarling*, 302 F.3d 1291, 1299 (Fed. Cir. 2002).

²⁹ *Monsanto v. Trantham*, 156 F. Supp. 2d 855, 869 (W.D. Tenn. 2001); *Monsanto v. McFarling*, 302 F.3d at 1299 (Fed. Cir. 2002); *Monsanto v. Scruggs*, 459 F.3d 1328, 1335-36 (Fed. Cir. 2006).

³⁰ *Monsanto v. Scruggs*, 459 F.3d 1328, 1336 (Fed. Cir. 2006).

³¹ *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S. Ct. 2109 (2008). In *Quanta* the Supreme Court ruled that the patent exhaustion doctrine applies to at least some patent method and system claims. In *Quanta*, patent holder LGE licensed limited systems and methods to Quanta to “make,

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use, sell, offer to sell, import, or otherwise dispose of” products derived from the licensed patents. The court found that “using” the licensed patents in their own products was not infringement and that the exhaustion doctrine applied, even though an express use license existed.

³² Monsanto v. Scruggs, 2009 WL 536833 (N. D. Miss.).

³³ Monsanto v. Scruggs, 2009 WL 1228318 (C.A. Fed. (Miss.)). In light of *Quanta*, a future appeal may challenge the way the patent exhaustion and first sale doctrines have been applied (or not applied) in seed saving cases. Monsanto attorneys argue that patented seeds can be distinguished from the Intel methods and systems in the *Quanta* case. Monsanto argues that putting the “finishing touches” on products, as was the case in *Quanta*, is not the same as reproducing or copying a patented seed. The difference, at least arguably, is between “using” patented material and “making” copies of the material without authorization. See Thomas E. Kelley (Patent Counsel, Monsanto Company), *Summary of McFarling* (a paper summarizing *McFarling* and noting the impact of *Quanta* on second-generation seeds), available in author’s files.

³⁴ Monsanto v. Scruggs, 2009 WL 1228318 (C.A. Fed. (Miss.)).

³⁵ Monsanto v. Trantham, 156 F. Supp. 2d 855, 866 (W.D. Tenn. 2001).

³⁶ Monsanto v. McFarling, 302 F.3d 1292, 1299 (Fed. Cir. 2002).

³⁷ Monsanto v. McFarling, 302 F.3d 1292, 1304 (Fed. Cir. 2002).

³⁸ Monsanto v. Scruggs, 459 F.3d 1328, 1338, 40 (Fed. Cir. 2006).

³⁹ Monsanto v. Trantham, 156 F. Supp. 2d 855, 861 (W.D. Tenn. 2001).

⁴⁰ Monsanto v. Trantham, 156 F. Supp. 2d 855, 864 (W.D. Tenn. 2001).

⁴¹ Monsanto v. McFarling, 302 F.3d 1292, 1298 (Fed. Cir. 2002).

⁴² Monsanto v. McFarling, 302 F.3d 1292, 1299 (Fed. Cir. 2002).

⁴³ Monsanto v. Trantham, 156 F. Supp. 2d 855, 866 at n. 5 (W.D. Tenn. 2001).

⁴⁴ Monsanto v. Trantham, 156 F. Supp. 2d

855, 871 (W.D. Tenn. 2001).

⁴⁵ Monsanto v. Trantham, 156 F. Supp. 2d 855, 870 (W.D. Tenn. 2001).

⁴⁶ Monsanto v. Scruggs, 459 F.3d 1328, 1338, 40 (Fed. Cir. 2006) (quoting Monsanto v. Scruggs, 342 F. Supp. 2d 584, 598 (N.D. Miss. 2004)).

⁴⁷ Mr. Trantham also argued that Monsanto granted him an implied license to use the Roundup Ready® beans when the dealer forged his signature. The court observed that (1) Mr. Trantham had admitted being told by the seed dealer that the technology agreement had to be signed before the seed could be used, and (2) the bags of seed purchased by Mr. Trantham stated that a separate licensing agreement must be obtained before the seeds could be used in any way. The court concluded that the grant of an implied license to use the seeds should not be inferred. Monsanto v. Trantham, 156 F. Supp. 2d 855, 870 (W.D. Tenn. 2001).

⁴⁸ 35 U.S.C.A. §271 (West 2001).

⁴⁹ 35 U.S.C.A. §284 (West 2001).

⁵⁰ 35 U.S.C.A. §285 (West 2001).

⁵¹ See Monsanto Co. v. Trantham (In Re Trantham), 304 B.R. 298 (Bankr. 6th Cir. 2004) (describing the damages awarded by the U.S. District Court and finding that the entire judgment was nondischargeable in bankruptcy).

⁵² Monsanto v. Parr, 545 F. Supp. 2d 836 (N.D. Ind. 2008).

⁵³ Monsanto v. McFarling, 302 F.3d 1292 (Fed. Cir. 2002) (“*McFarling I*”).

⁵⁴ Monsanto v. McFarling, 302 F.3d 1292 (Fed. Cir. 2002) (“*McFarling I*”).

⁵⁵ Monsanto v. McFarling, 363 F.3d 1336 (Fed. Cir. 2004) (“*McFarling II*”).

⁵⁶ In voiding the liquidated damages clause, the *McFarling II* court espoused the so-called “anti-one-size rule,” which dictates that damages should be tailored to fit the particular harm caused by a breach. Monsanto v. McFarling, 363 F.3d 1336 (Fed. Cir. 2004). Monsanto’s agreement, however, provided for the same damages to be imposed regardless of the product type, the location sold, or how blatant the breach. In essence, the court noted, Monsanto was trying to impose a one-size-fits-all

penalty on a particularized harm. Because liquidated damages must be a reasonable approximation of the actual damages expected to be incurred by the harmed party, a blanket liquidated damages penalty is unreasonable and, thus, unenforceable. *McFarling II*, at 1347–48. As such, the *McFarling II* court struck down the large liquidated damages award while keeping intact an injunction against Mr. McFarling, and remanded the case to award only actual damages with no punitive component. See also Janice M. Mueller, *Patent Controls on GM Crop Farming*, 4 Santa Clara J. Int’l L. 1 (2006) (discussing *McFarling II*, and tying and antitrust issues).

⁵⁷ See Jason Savich, *Monsanto v. Scruggs: The Negative Impact of Patent Exhaustion on Self-Replicating Technology*, 22 Berkeley Tech. L.J. 115 (2007) (discussing the economic factors that encourage R&D); Jay P. Kesan, *Licensing Restrictions and Appropriating Market Benefits from Plant Innovation*, 16 Fordham Intell. Prop. Media & Ent. L.J. 1081 (2006); Jay P. Kesan, “Intellectual Property Protection and Agricultural Biotechnology: A Multidisciplinary Perspective,” 44 *American Behavioral Scientist* 464, 487-492 (2000) (discussing economic and philosophical rationales for intellectual property protection).

⁵⁸ 156 F. Supp. 2d 855, (W.D. Tenn. 2001), *Monsanto v. McFarling*, 302 F.3d 1291 (Fed. Cir. 2002).

⁵⁹ 459 F.3d 1328 (Fed. Cir. 2006)

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“Life on a farm is a school of patience; you can’t hurry the crops or make an ox in two days.” Henri Alain

Kelly Moseman—**AGRICULTURAL LAW Blog & Listserv** (cont. from p. 1)

The United States Agricultural & Food Law and Policy Blog is designed to provide accurate and up-to-date news, research, and information to the nation's agricultural community. The Blog is comprised of more than three dozen subject areas, which correspond primarily with the Reading Rooms subject areas presented on the web site of the National Agricultural Law Center. Categories will be added as necessary.

While the United States Agricultural & Food Law and Policy Blog is accessible to the general public, content entries are moderated by an editorial board, and the public is invited to submit blog entries or to recommend news and other items for publication by sending the pertinent information to theagandfoodlawblog@gmail.com.

AAALA welcomes the participation of other research and education centers throughout the country as partners in educating our members and the public through this blog. Those interested in participating should contact

Harrison Pittman, Director of the National Agricultural Law Center.

(2) The United States Agricultural & Food Law and Policy Blog is complemented by the American Agricultural Law Association Listserv, which is available to members of the AALA. To take advantage of this great new benefit and the others already offered, please send an e-mail to RobertA@aglaw-assn.org. The listserv provides a forum for members to learn of new developments and to ask others for advice on particular issues. We are pleased with the active participation of members to date and we appreciate the patience of listserv participants as the listserv experienced some "growing pains." In the near future, participants will receive guidance on appropriate topics consistent with the mission and the bylaws of AALA.

The Board would like to thank Anne Hazlett, retiring co-chairperson of the AALA membership committee; Harrison Pittman, who also serves as co-chairperson of the AALA Membership Committee; Jesse Richardson, chair of the AALA editorial

board; and Anthony Schutz, member of the AALA editorial board, for their contributions to the design and implementation of these two new benefits.

If you have any suggestions for further services or benefits of membership, please contact any member of our Board of Directors or the AALA Membership Committee:

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From the Executive Director:

2009 ANNUAL CONFERENCE

A reminder that the dates of the 2009 Annual Agricultural Law Symposium have been changed from October 16-17, 2009 to September 25-26, 2009. The conference program and registration forms should be online by the time of publication of this issue. President-elect Ted Feitshans has completed planning a very extensive program with a wide variety of topics and issues to be covered in a year of change and challenge for agriculture and agricultural law. If you would like to help with a presentation, contact Ted at ted_feitshans@ncsu.edu.

Robert P. Achenbach, Jr., AALA Executive Director