Sowing The Seeds of Patent Exhaustion
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Courts have long recognized the exhaustion of certain patent rights upon an authorized sale of a patented good. At the same time, courts have struggled with determining whether the patent owner authorized the sale—in cases where the thing sold is different from the claimed invention or in cases where the thing sold is subject to license or post-sale restrictions. In 1938’s General Talking Pictures Corp. v. Western Radio Co., the Supreme Court approved the use of field restrictions in patent licenses but left unresolved the question of whether such field restrictions were enforceable, as a matter of patent law, against a downstream purchaser of the good. This term’s Bowman v. Monsanto Co. (a case pitting an Iowa farmer against one of the world’s largest agriculture biotechnology companies) presents a unique version of this question and affords the Court an opportunity to revisit the Federal Circuit’s modern jurisprudence in this important area of conditional sales.

Importantly, Bowman also implicates the distinction between the downstream use and resale of a patented good, those rights exhausted by the authorized sale, and the re-making of a patented good, a right that the courts have never recognized as exhausted. With regard to self-replicating technologies like genetically modified soybeans, using the patented invention cannot be distinguished from making the patented invention, which highlights the wobbly application of the exhaustion doctrine to self-replicating biotechnologies or future technologies that also blur the lines between the delineated rights to exclude others from using, making, selling or offering for sale the patented invention. By relying on old patent rules for old technology, the Court might ignore this difficult wrinkle and narrowly confine its decision only to the question of remaking the patented invention.

In this Article, I argue that the Court should not shy away from approaching the exhaustion doctrine in a holistic manner rather than segregating the patent rights to use, make and sell. Instead of establishing an exception to the exhaustion doctrine for self-replicating technologies, as requested by Mr. Bowman’s attorneys, I suggest that courts view the entire bundle of patent rights as a unitary whole subject to exhaustion upon consideration of a totality of the circumstances. This view harmonizes the doctrine with those areas of patent law where courts ignore the distinction between a patented good and the process of making it, or a
patented process and the machine that performs it. Moreover, accepting as possible an exhaustion of the right to make a patented invention upon an authorized sale, the unique facts of Bowman would allow the Court to significantly refine its field restriction analysis, a critical component in patent licensing jurisprudence. By killing two birds with one stone, the Court could return stability to this area of the law and invite its application to future complex technologies, a benefit to all stakeholders—patent owners, competitors and consumers alike.