

Federal Circuit Patent Bulletin: *Monsanto Co. v. E.I. Du Pont de Nemours & Co.*

May 9, 2014

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On May 9, 2014, in *Monsanto Co. v. E.I. Du Pont de Nemours & Co.*, the U.S. Court of Appeals for the Federal Circuit (Lourie,* Reyna, Wallach) affirmed the district court's order imposing sanctions on DuPont by striking DuPont's contract reformation defense and counterclaims and awarding Monsanto its attorney fees. The case involved Monsanto's genetically modified glyphosate resistant Roundup Ready® (RR) soybeans, for which DuPont obtained a nonexclusive license under U.S. Reissue Patent No. 39,247 to make and sell. DuPont developed its own glyphosate-tolerant trait, Optimum GAT® (OGAT), which was expected to confer tolerance to both glyphosate and acetolactate synthase inhibitor herbicide. When OGAT alone did not provide sufficient glyphosate-tolerance for commercial use, DuPont stacked, or combined, its OGAT trait with Monsanto's RR trait and contended that the License should be interpreted to cover the OGAT/RR stacked trait or should be reformed. The Federal Circuit stated:

"[A] district court possesses inherent powers 'to manage [its] affairs so as to achieve the orderly and expeditious disposition of cases.'" "A court must exercise its inherent powers with restraint and discretion, and a primary aspect of that discretion is the ability to fashion an appropriate sanction.

The record is clear that the district court did not sanction DuPont for making legal arguments concerning the objective meanings of the License. Almost two years before imposing the sanctions, the court interpreted the License as a matter of law in the partial judgment on the pleadings, in which it concluded that the License did not grant DuPont the right to stack OGAT with the RR trait. DuPont then moved for reconsideration of that interpretation and, alternatively, sought to reform the License so that it could avoid infringement liability for developing the OGAT/RR stack. The district court declined to reconsider its interpretation of the License, but granted DuPont leave to file the SAAC [(second amended answer and counterclaims)] to pursue its reformation counterclaims. Thus, the objective meaning of the License had been decided at an early stage of

the litigation and DuPont's allegations were made in an attempt to obtain reformation of the License in view of the district court's interpretation.

In the sanctions order, the district court made clear that DuPont was sanctioned for knowingly making factual misrepresentations concerning its subjective belief in order to maintain its reformation claims. The court reviewed DuPont's statements in the SAAC and subsequent motions concerning reformation and found that DuPont had misrepresented its subjective belief, an element of reformation that was to be decided as a matter of fact. As sanctions, the court specifically and exclusively targeted the reformation claims, which depended on DuPont's factual misrepresentations, by striking those claims and awarding related attorney fees. . . .

We consider those findings of the district court not to be clearly erroneous, as the court had first-hand knowledge of how DuPont's conduct affected the progress of the litigation. For almost two years from January 2010 to December 2011, DuPont restored, amended, and litigated its reformation counterclaims. When seeking leave to file the SAAC, DuPont represented to the district court that the amended counterclaims were the product of its "additional investigation" of the factual basis for reformation. DuPont's internal documents, however, contradicted its litigation statements concerning reformation. Those internal documents were initially withheld by DuPont under a claim of privilege and produced only after the court's ruling on Monsanto's motion to compel, in which the court gave DuPont the option of either dismissing the reformation claims or producing those internal documents. DuPont chose to continue litigating the reformation claims and seeking to invoke the court's equitable power to reform the License in order to obtain the right to make and sell an OGAT/RR product, despite contradictory evidence showing that DuPont's own negotiators questioned whether DuPont had obtained that right. We therefore conclude that the district court did not err in holding that DuPont had abused the judicial process and acted in bad faith.