



UNIVERSITY OF  
MARYLAND  
SCHOOL OF LAW

**PATENT LAW  
UPDATE**

***Rhône-Poulenc  
Agro, S.A.  
v.  
DeKalb  
Genetics Corp.***

Nos. 00-1266,  
-1352  
Federal Circuit  
Nov. 19, 2001

*“[T]he bona fide purchaser for value rule, as applied to patents, provides that one who acquires an interest in a patent for valuable consideration from the legal title holder, ‘without notice of an outstanding equitable claim or title,’ is entitled to retain the purchased interest, ‘free of any equitable encumbrance.’”*

On November 19, 2001, the Federal Circuit affirmed the district court’s summary judgment of non-infringement on the ground that Monsanto has a valid license to U.S. Patent No. 5,510,471. The patented technology related to genetically engineered corn tolerant to glyphosate herbicides, such as Roundup Ready® corn, which permits a farmer to treat a field with herbicide to kill weeds, while allowing the resistant corn to survive. The Federal Circuit held that a sublicensee (Monsanto) that acquired the sublicense from a licensee (DeKalb), that acquired the original license by fraud, may retain the sublicense by establishing that the sublicensee was a bona fide purchaser for value.

“[T]he bona fide purchaser for value rule, as applied to patents, provides that one who acquires an interest in a patent for valuable consideration from the legal title holder, ‘without notice of an outstanding equitable claim or title,’ is entitled to retain the purchased interest, ‘free of any equitable encumbrance. . . . While the question of precedential effect is a close one here, we conclude that there was sufficient discussion of the bona fide purchaser rule in Heidelberg Harris (even though the issue was not argued) that we are compelled to regard it as precedent. We accordingly hold that [t]he bona fide purchaser rule applies to licensees. Any argument to the contrary must be addressed to the court sitting in banc. . . .

Because of the importance of having a uniform national rule, we hold that the question of whether a bona fide purchaser defense to patent infringement may be asserted is a matter of federal law. To hold otherwise would potentially permit an accused infringer to successfully assert the defense in one state and not in another. Because such a federal rule implicates an issue of patent law, the law of this circuit governs the rule. Of course, the creation of a federal rule concerning the bona fide purchaser defense is informed by the various state common law bona fide purchaser rules as they are generally understood. . . .

Finally, RPA seeks to distinguish Heidelberg Harris on the ground that here the license was acquired from a licensee, while in Heidelberg Harris the license was acquired from the patentee. We view this distinction as immaterial. The rule in Heidelberg Harris recited the fact that Harris had obtained its interest in the patent from the legal title holder, but our opinion did not further discuss this fact, nor did our holding depend on this fact. Moreover, in affirming the district court’s ruling that “Harris is a bona fide purchaser of a license under the asserted patent and therefore is not subject to suit,” we did not draw a distinction based on whether the license had been obtained from a patentee or a licensee. We decline to establish such a distinction here.

RPA also suggests that Monsanto was not a bona fide purchaser because Monsanto was not an independent third party due to a forty percent non-voting equity stake it held in DeKalb at the time it acquired its sublicense; because it was at least on inquiry notice of RPA’s interest; because it did not prove that it had paid valuable consideration of the license; and because the balance of equities favors RPA. Again, we are not convinced.