

BAYER CROPSCIENCE LP)
AND MONSANTO)
COMPANY,)
)
Plaintiffs,)
) C.A. No. N22C-07-168-SKR CCLD
v.)
)
CORTEVA, INC., et al.,)
)
Defendants.)

Decided: May 5, 2025

GRANTED

Chad S.C. Stover, Esq., BARNES & THORNBURG, LLP, Wilmington, Delaware, Michael J. Flibbert, Esq., Pier D. DeRoo, Esq., Kassandra M. Officer, Esq., Meredith H. Boerschlein, Esq., FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP, Washington, DC, Brandon T. Andersen, Esq., FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP, Reston, Virginia, Melanie L. Bostwick, Esq., ORRICK HERRINGTON & SUTCLIFFE LLP, Washington, DC, Brain Raphel, Esq., Peter A. Bicks, Esq., ORRICK HERRINGTON & SUTCLIFFE LLP, New York, New York, Lauren Drake, Esq., ORRICK HERRINGTON & SUTCLIFFE LLP, Los Angeles, California, Gary Frischling, ORRICK HERRINGTON & SUTCLIFFE LLP, Santa Monica, California, Alex V. Chachkes, Esq., SETTY CHACHKES PLLC. *Attorneys for Defendants.*

RENNIE, J.

I. INTRODUCTION

This is a breach of contract dispute between Plaintiffs, Bayer Cropscience LP and Monsanto Company (together “Bayer”),¹ and Defendants, Corteva Inc., Agrigenetics, Inc., Corteva AgriScience LLC, Mycogen Corporation, and Mycogen Plant Sciences, Inc., (collectively “Corteva”).² The parties’ dispute focuses on their Agrobacterium Cross-License Agreement (the “License Agreement”).³ Pursuant to the License Agreement, Bayer licensed certain intellectual property to Corteva, including the ’011 and ’877 Patents (collectively the “Hincee Patents”).⁴ In return, Corteva agreed to pay a royalty on the sale of products developed using patents covered by the License Agreement.⁵ Bayer alleges that Corteva developed Enlist E3 Soybeans (the “E3 Soybeans”), using the Hincee Patents.⁶ Corteva never paid any royalties on E3 Soybeans, which Bayer contends breached the License Agreement.⁷

Among several affirmative defenses, Corteva argues that the *Brulotte* doctrine invalidates Bayer’s royalty claim.⁸ Specifically, Corteva insists that Bayer

¹ The Court refers to Plaintiffs and Defendants in the singular, as Bayer and Corteva, respectively.

² See Second Amended Complaint (hereafter “Compl.”) ¶¶ 1-4, 98-102 (D.I. 179).

³ See generally Complaint, Ex. A (hereafter “License Agreement”) §§ 3, 4 (D.I. 1).

⁴ See License Agreement §§ 3, 4; Amended Complaint, Ex. B (hereafter “’011 Patent”), Ex. C (hereafter “’877 Patent”) (D.I. 54).

⁵ See License Agreement § 6.

⁶ See Compl. ¶¶ 1-4, 39-60.

⁷ *Id.* ¶¶ 1-4, 61-66, 98-102.

⁸ Defendants’ Answer, Affirmative Defenses, and Counterclaims to Plaintiffs’ Second Amended Complaint (hereafter “Answer”) at 55 (D.I. 203); see *Brulotte v. Thys Co.*, 379 U.S. 29 (1964).

impermissibly seeks royalties based on post-expiration use of the Hincee Patents.⁹ Accordingly, Corteva filed the Motion for Partial Summary Judgment before the Court (the “Motion”), seeking resolution of Counts II and IV in Corteva’s favor.¹⁰ Bayer maintains that *Brulotte* does not apply, and criticizes the Motion as untethered from the actual royalty claim.¹¹ For the reasons discussed below, the Court **GRANTS** Corteva’s Motion.

II. RELEVANT BACKGROUND

At this stage in the litigation, the Court is familiar with the factual background of the parties’ dispute. Accordingly, this opinion only rearticulates the facts relevant to resolving Corteva’s Motion and directs the reader to the Court’s previous decisions for a complete discussion of the record.¹²

⁹ *Id.* (“Bayer’s attempts to collect post-expiration royalties on sales of E3 Soybeans from Corteva under the License Agreement constitutes patent misuse and an unlawful extension of the terms of the expired ’011 and ’877 Patents.”).

¹⁰ See generally Defendants’ Opening Brief in Support of Their Motion for Partial Summary Judgment (hereafter “DMSJ”) (D.I. 302). “Count II – Breach of Contract – Royalty Obligations” seeks “the sum total of all unpaid royalty payments on sales or transfers of E3 Soybeans owed under the License Agreement.” Compl. ¶¶ 98-102. “Count IV – Breach of the Implied Covenant of Good Faith and Fair Dealing” requests damages “to compensate Bayer for sales and transfers of Agrigenetics Licensed Products,” which mirrors the License Agreement’s royalty provision. *Id.* ¶¶ 110-115; see License Agreement § 6.01.

¹¹ See generally Plaintiffs’ Brief in Opposition to Defendants’ Motion for Partial Summary Judgment (hereafter “DMSJ Opp’n”) (D.I. 329).

¹² See *Bayer CropScience LP v. Corteva, Inc.*, 2023 WL 7403315, at *2-3 (Del. Super. Nov. 6, 2023); *Bayer CropScience LP v. Corteva, Inc.*, 2025 WL 720867, at *1-3 (Del. Super. Jan. 7, 2025); *Bayer CropScience LP v. Corteva, Inc.*, 2025 WL 720866, at *1-3 (Del. Super. Jan. 7, 2025); *Bayer CropScience LP v. Corteva, Inc.*, 2025 WL 730454, at *1-3 (Del. Super. Jan. 7, 2025).

A. The License Agreement

Several provisions of the License Agreement are relevant to the parties' dispute. Central to this case is Corteva's obligation to pay royalties on the sale of certain products under the License Agreement.¹³ Section 6.01 of the License Agreement provides that Corteva "shall pay [Bayer] an Agrigenetics Royalty of Two U.S. Dollars (\$2.00) for each Unit of such Agrigenetics Licensed Products sold or otherwise transferred to any Third Party for Beneficial Use."¹⁴ "Agrigenetics Licensed Products" ("ALPs") are defined as:

plant cell cultures, plant cells, plant tissue cultures, or plant varieties, inbreds or hybrids that contain Agrigenetics Transgenic Events which in the course of its manufacture, use or sale would, in the absence of the license under this [License] Agreement, infringe one or more unexpired claims of the Monsanto Patent Rights.¹⁵

"Agrigenetics Transgenic Events" are defined as "transformation events in plant species developed by or on behalf of [Corteva]."¹⁶

The License Agreement's term runs "until the expiration of the last-to-expire of the Monsanto Patents Rights and Agrigenetics Patent Rights."¹⁷ At signing, the parties understood the term would run until at least 2023.¹⁸

¹³ See License Agreement § 6.01; Compl. ¶¶ 1-4, 98-102.

¹⁴ License Agreement § 6.01.

¹⁵ *Id.* § 2.03.

¹⁶ *Id.* § 2.05.

¹⁷ *Id.* § 10.01

¹⁸ See DMSJ Opp'n, Ex. H (draft License Agreement, including the Fraley patents, one of which would in 2023 the earliest); DMSJ Opp'n, Ex. C at 219:16-223:2.

B. Corteva's Development of E3 Soybeans

Two months after the License Agreement went into effect, Corteva's predecessor-in-interest contracted for the University of Missouri to use the License Agreement's IP to genetically modify soybeans.¹⁹ After thousands of experiments, scientists created the DAS-44406-6 transgenic event (the "E3 Event"), in early March 2008.²⁰ Over the next few months, scientists grew the T0 seed²¹ with the E3 Event into a full soybean plant.²² On July 22, 2008, the '877 Patent expired.²³ The day after expiration, scientists sent the soybean plant containing the E3 Event to Corteva.²⁴ On November 18, 2008, Corteva harvested seeds from that plant, which also contained the E3 Event (the "T1 Seeds").²⁵ Corteva then cross-bred the T1 seeds with other varieties to develop commercialized E3 Soybeans.²⁶

Throughout the development period, Corteva recognized there would be a delay between the creation of E3 Soybeans and their commercialization.²⁷ Corteva projected it would not be able to sell E3 Soybeans until 2015-2016.²⁸ Corteva's then

¹⁹ See DMSJ Opp'n, Ex. I.

²⁰ See DMSJ Opp'n, Ex. Q ¶¶ 63, 66-68; Ex. R ¶ 108.

²¹ The T0 seed refers to the initial seed in which University of Missouri scientists created the E3 Event by utilizing the Hinchey Patents.

²² DMSJ Reply, Ex. B ¶¶ 74, 87-88.

²³ See '877 Patent.

²⁴ DMSJ Reply, Ex. B ¶¶ 87, 88 n.118.

²⁵ DMSJ Reply, Ex. C at 291:4-294:10, Ex. D.

²⁶ Amended Complaint, Ex. D at 23-25 (D.I. 54).

²⁷ See License Agreement § 7.02 (requiring regulatory approval before the sale of any ALP); DMSJ Opp'n, Ex. D at Annex E (regulatory approval timeline for E3 Soybeans); Ex. G at 126:24-128:14.

²⁸ DMSJ Opp'n, Ex. F at 142:10-144:24, 146:15-149:21; Ex. G. at 126:24-128:14; Ex. R at 309:21-313:6.

Global Business Leader for Oil Seeds²⁹ noted that Corteva would have to pay a \$2/unit royalty on E3 Soybean sales when they eventually reached the market.³⁰ Corteva launched the E3 Soybeans in 2019,³¹ but never paid Bayer any royalties. Bayer filed this lawsuit, seeking, among other things, payment of royalties owed on E3 Soybean sales.³²

C. Procedural History

Bayer initiated this action in August 2022,³³ and amended its complaint in April 2023.³⁴ Corteva answered the Amended Complaint in May 2023, asserting an affirmative defense that *Brulotte* bars Bayer's royalty claim.³⁵ Bayer filed its operative Second Amended Complaint in July 2024,³⁶ which Corteva answered two weeks later.³⁷ That Answer again raised *Brulotte* as an affirmative defense.³⁸

After discovery, Corteva filed the Motion for Partial Summary Judgment before the Court in December 2024.³⁹ Bayer filed its opposition brief in January

²⁹ DMSJ Opp'n, Ex. S at 21:3-13.

³⁰ DMSJ Opp'n, Ex T.

³¹ DMSJ Opp'n, Ex. G at 177:14-178:1.

³² *See generally* Compl.

³³ *See generally* Complaint (D.I. 1).

³⁴ *See generally* Amended Complaint (D.I. 53).

³⁵ *See* Defendants' Answer, Affirmative Defenses, and Counterclaims to Plaintiffs' Amended Complaint at 47-48 (Second Affirmative Defense) (D.I. 63).

³⁶ *See generally* Compl.

³⁷ *See generally* Answer.

³⁸ *See* Answer at 55.

³⁹ *See generally* DMSJ.

2025,⁴⁰ and Corteva filed its reply brief in March 2025.⁴¹ The Court heard oral argument on April 7, 2025.

III. THE PARTIES' ARGUMENTS

The Motion asks the Court to enter summary judgment invalidating Bayer's royalty claim based on *Brulotte*'s "per se" prohibition on "royalty agreement[s] that project[] beyond the expiration date of the [at issue] patent[s]."⁴² Corteva argues that under Bayer's interpretation of the License Agreement, the requested "royalties fall entirely within the post-patent expiration period."⁴³ According to Corteva, Bayer claims that E3 Soybeans are ALPs because they were developed using the Hincee Patents.⁴⁴ While Bayer focuses on claim 1 of the '877 Patent, Corteva notes that patent also covers "soybean plants and *soybean seeds* produced using the claimed method."⁴⁵ Corteva contends that it practiced the seed claim after the '877 Patent

⁴⁰ See generally DMSJ Opp'n.

⁴¹ See generally Defendants' Reply Brief in Support of Their Motion for Partial Summary Judgment (hereafter "DMSJ Reply") (D.I. 354).

⁴² *Brulotte*, 379 U.S. at 32-33; see generally DMSJ (arguing "Bayer's royalty claims are precluded as a matter of law by the U.S. Supreme Court's decision in *Brulotte*.").

⁴³ DMSJ at 1-3.

⁴⁴ *Id.* at 8-9. Based on that argument, all subsequent E3 generations are ALPs because they contain the original E3 Event. *Id.* at 9. Because the commercialized E3 Soybeans contain the E3 Event, Bayer argues it is entitled to royalties until December 18, 2029 – when the licensed, but unpracticed, '139 Patent will expire. *Id.* at 9; see License Agreement §§ 6.01, 10.01.

⁴⁵ DMSJ at 9-12 (emphasis in original). Specifically, claim 14 of the '877 Patent covers "[a] soybean plant produced by the method of claim 1." '877 Patent. Claim 18 covers "[a] seed produced from the plant of claim 14." *Id.*

expired.⁴⁶ Therefore, Corteva insists that the royalty claim is necessarily based on its post-expiration use of the Hinchee Patents.⁴⁷

Bayer asserts four main factual arguments in response to Corteva's Motion.⁴⁸ First, Bayer argues that Corteva mischaracterizes its royalty obligation by conflating "the [License] Agreement's method for calculating the amount of royalties with its definition of royalty-triggering activities."⁴⁹ Second, Bayer criticizes Corteva's argument as "predicated on a hypothetical royalty claim based on unasserted Claim 18 of the '877 [] Patent."⁵⁰ Third, Bayer contends that Corteva wrongly assumes

⁴⁶ DMSJ at 11-13 (citing Compl. ¶ 2). Corteva recognizes that Bayer never invoked Claim 18 of the '877 patent in this litigation, but argues "Bayer's willful blindness . . . cannot change the legal effect of expiration of the '877 patent in dedicating the claimed subject matter . . . to the public[.]" *Id.* at 13-14.

⁴⁷ *Id.* at 14-17. Indeed, Corteva goes further and argues that its "pre-expiration use . . . plays no part in [the] royalty calculations." *Id.* To support that position, Corteva notes "Bayer does not (and could not under the [License] Agreement) calculate royalties based, for example, on the number of times Corteva allegedly used Dr. Hinchee's method or the number of transgenic events or soybean cells allegedly made by that method before patent expiration." *Id.* at 14. Rather, the License Agreement provides for royalty payments on the sale or transfer of an ALP – namely, the commercialized E3 Soybeans. License Agreement §§ 6.01, 6.02.

⁴⁸ DMSJ Opp'n at 2-4.

⁴⁹ *Id.* at 2. Bayer characterizes its claim as asserting that the E3 Soybeans are ALPs, because Corteva "practice[d] certain unexpired claims of the ['011 and '877 Patents] in the course of making the E3 event in 2008." *Id.* at 14. Hence, Bayer views its entitlement to royalties as arising from Corteva's use of the Hinchee Patents' transformation methods, not the T1 Seed. *Id.* at 12-16.

⁵⁰ *Id.* at 2-3. Claim 18 covers "[a] seed produced from the plant of claim 14." '877 Patent. Bayer notes that it "has never asserted that Claim 18 covers commercial E3 soybeans" and "Corteva offers no authority for the premise that a hypothetical, unasserted claim for royalties can be the basis for rendering the parties [License] Agreement unenforceable under *Brulotte*["] *Id.* at 23-25. Bayer also insists that Corteva's position "runs counter to Article III of the Constitution, which limits adjudication to actual cases and controversies, not hypothetical ones." *Id.* at 25 (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937)).

that Claim 18 of the ‘877 Patent would cover the sale of E3 soybeans if unexpired.⁵¹

Finally, Bayer rebukes Corteva for “assum[ing] that the still unexpired ‘139 [] Patent is irrelevant” and not addressing “the unexpired ‘954 [] Patent.”⁵²

Legally, Bayer rejects Corteva’s characterization of *Brulotte* as establishing a *per se* rule against post-patent-expiration royalties.⁵³ Rather, Bayer maintains that *Brulotte* permits a deferred compensation royalty arrangement.⁵⁴ Because both parties recognized “the unavoidable gap” between practicing the Hinchee Patents and selling a commercialized product, the License Agreement deferred royalty payments until post-patent-expiration.⁵⁵ Bayer insists that the License Agreement⁵⁶

⁵¹ *Id.* at 3. Bayer admits that “Corteva did practice unexpired claim 18 when it propagated seeds from the T0 E3 plant,” but “[c]ommercial E3 [S]oybeans are indisputably not seeds of the T0 plant[.]” *Id.* at 28-29.

⁵² *Id.* at 3-4. Bayer rejects the notion that the ‘139 and ‘954 Patents are irrelevant to the License Agreement or E3 Soybeans, because they also relate to botanical genetic transformation. *Id.* at 31-33. Additionally, Bayer points out that “Corteva’s predecessor-in-interest specifically asked to have the [License Agreement] assigned to Corteva,” even after the ‘011 and ‘877 Patents expired. *Id.* at 33-35 (citing DMSJ Opp’n, Ex. A). Bayer notes that *Brulotte* permits royalty contracts that “run until the latest-running patent covered in the parties’ agreement expires.” *Kimble v. Marvel Entm’t, LLC*, 576 U.S. 446, 454 (2015).

⁵³ DMSJ Opp’n at 11-12.

⁵⁴ *Id.* at 10-12 (citing *Bayer AG v. Housey Pharms., Inc.*, 228 F. Supp. 2d 467, 472 (D. Del. 2002)). Specifically, Bayer asserts “there is no patent misuse where (as here) ‘royalties are collected based on later [product] sales, but the royalties are being accrued as the invention is practiced during the research phase.’” *Id.* at 12 (quoting *Bayer AG*, 228 F. Supp. 2d at 472).

⁵⁵ *Id.* at 16-18 (“the parties agreed to calculate the amount of royalties due using sales of the commercialized ALPs in the post-expiration period ‘as deferred compensation for pre-expiration work’ using the patented methods.” (quoting *Ares Trading S.A. v. Dyax Corp.*, 2023 WL 2456437, at *21-22 (D. Del. Mar. 10, 2023))).

⁵⁶ Bayer suggests that the License Agreement evidences Corteva’s recognition of this unavoidable delay, because it required Corteva to “obtain ‘all applicable domestic and international regulatory approvals’ before it could commercialize an ALP[.]” *Id.* at 17 (quoting License Agreement § 7.02(b)).

and “Corteva’s contemporaneous understanding . . . [shows Corteva] kn[ew] its royalty obligation would extend beyond [the Hinchee Patents’] expiration.”⁵⁷

Corteva argues that none of Bayer’s assertions evidence a genuine factual issue which would preclude summary judgment based on *Brulotte*.⁵⁸ Accepting Bayer’s construction of claim 18 as limited to T1 Seeds, Corteva maintains that it necessarily used T1 Seeds to manufacture the E3 Soybeans after the ’877 Patent expired.⁵⁹ Accordingly, Corteva rejects the notion that it conflates the royalty calculation mechanism with the royalty triggering provision.⁶⁰ Moreover, Corteva criticizes Bayer’s reliance on the ’139 and ’954 Patents, because: (1) Bayer never alleged that Corteva used those patents; and (2) the E3 transformation was done before the ’139 and ’954 Patents were issued in 2012.⁶¹ Finally, Corteva insists that the deferred compensation exception does not apply because Bayer’s royalty claim is not based on use of the Hinchee Patents “*solely* in the pre-expiration period.”⁶²

⁵⁷ *Id.* at 19-23 (citing DMSJ Opp’n, Exs. H; U § 2.15; V § 2.16 (demonstrating the Corteva’s predecessor in interest specifically requested that the License Agreement include the Hinchee Patents, knowing they would expire several years before the License Agreement’s term ended); Exs. DMSJ Opp’n, Ex. S at 21:3-10, 134:24-145:21, 151:6-152:21, 309:2-310:11; Ex. T (evidencing that Corteva’s Global Business Leader for Soybeans advised management that selling the E3 Soybeans would require paying a royalty to Monsanto).

⁵⁸ DMSJ Reply at 3-5.

⁵⁹ *Id.* at 3, 10-13 (citing License Agreement § 2.03); DMSJ, Ex. D (providing the T1 sees were harvested November 18, 2008); Ex. C at 292-294 (same)).

⁶⁰ *Id.* at 3-4.

⁶¹ *Id.* at 4-5, 19-22.

⁶² *Id.* at 3, 15-17 (emphasis in original).

IV. STANDARD OF REVIEW

Summary judgment is appropriate “when the record shows there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law.”⁶³ The movant has the initial burden of showing that there is no genuine factual issue.⁶⁴ If the movant meets that burden, the non-movant “must sufficiently establish the ‘existence of one or more genuine issues of material fact.’”⁶⁵ In evaluating a motion for summary judgment, the Court views the record, and draws all reasonable inferences, “in the light most favorable to the nonmoving party.”⁶⁶ The Court does not “‘weigh evidence and [] accept that which seems to have greater weight.’”⁶⁷ Moreover, summary judgment is inappropriate if “it seems desirable to inquire thoroughly into [the facts] in order to clarify the application of the law to the circumstances.”⁶⁸

V. DISCUSSION

The Motion asks the Court to enter summary judgment in Corteva’s favor on Claims II and IV based on *Brulotte*.⁶⁹ To determine whether summary judgment is

⁶³ *LaPoint v. AmerisourceBergen Corp.*, 970 A.2d 185, 191 (Del. 2009).

⁶⁴ *Brown v. City of Wilmington*, 2019 WL 141744, at *2 (Del. Super. Jan. 8, 2019).

⁶⁵ *Id.* (quoting *Quality Elec. Co., Inc. v. E. States Const. Serv., Inc.*, 663 A.2d 488, 1995 WL 379125, at *3-4 (Del. 1995)).

⁶⁶ *LaPoint*, 970 A.2d at 191 (citing *Williams v. Geier*, 671 A.2d 1368, 1375-76 (Del. 1996)).

⁶⁷ *Empire of America Relocation Services, Inc. v. Commercial Credit Co.*, 551 A.2d 433, 435 (Del. 1988) (quoting *Continental Oil Co. v. Pauley Petroleum, Inc.*, 251 A.2d 824, 826 (Del. 1969)).

⁶⁸ *Ebersole v. Lowengrub*, 180 A.2d 467, 469-70 (Del. 1962).

⁶⁹ See generally DMSJ.

appropriate, the Court must answer two broad questions. First, does Bayer’s royalty claim depend on Corteva’s post-expiration use of the Hincree Patents – namely claim 18 of the ’877 Patent. If not, *Brulotte* does not apply, and summary judgment should be denied.⁷⁰ If so, the Court must consider whether *Brulotte* invalidates the License Agreement’s royalty obligation concerning E3 Soybeans. As part of that second question, the Court evaluates whether the License Agreement’s royalty scheme falls within *Brulotte*’s deferred compensation exception.⁷¹ The Court addresses each question in turn.

A. Bayer’s Royalty Claim Depends on Corteva’s Post-Expiration Use of the Hincree Patents.

Bayer claims it is entitled to royalty payments based on Corteva’s E3 Soybean sales.⁷² Section 6.01’s plain text makes clear that only ALPs trigger Corteva’s royalty obligations.⁷³ Something is an ALP if it “contain[s] [an] Agrigenetics Transgenic Event[] which in the course of its manufacture, use or sale would” infringe a Bayer patent, including the Hincree Patents, absent the License

⁷⁰ See *Brulotte*, 379 U.S. at 30, 32-33 (holding it is “unlawful per se” to contract for royalty payments based on “post-expiration” use of a licensed patent).

⁷¹ See *Kimble*, 576 U.S. at 453-54 (“*Brulotte* allows a licensee to defer payments for pre-expiration use of a patent into the post-expiration period; all the decision bars are royalties for using an invention after it has moved into the public domain.”).

⁷² See Compl. ¶¶ 1-4, 98-102.

⁷³ License Agreement § 6.01 (stating Corteva “shall pay [Bayer] an Agrigenetics Royalty of Two U.S. Dollars (\$2.00) for each Unit of such Agrigenetics Licensed Products sold or otherwise transferred to any Third Party for Beneficial Use.”).

Agreement.⁷⁴ For the purpose of this Motion,⁷⁵ there is no dispute that the E3 Soybeans are ALPs because they contain the E3 Event.⁷⁶ Yet, it does not necessarily follow that a scientist independently practiced the Hinchee Patents to produce the E3 Event in each and every commercial E3 Soybean. Rather, after creating the initial E3 Event,⁷⁷ Corteva grew a soybean plant,⁷⁸ harvested the T1 Seeds,⁷⁹ and cross-bred the T1 Seeds with other hybrids to create the commercial E3 Soybeans.⁸⁰ Therefore, commercial E3 Soybeans are only ALPs because they contain, and were manufactured using, the initial E3 Event.

Bayer's claim focuses on Corteva's use of the Hinchee Patents' transformation methods to create the E3 Event,⁸¹ which undisputably occurred before the relevant patents expired.⁸² Yet, Bayer's allegation that "development of E3 Soybeans predated expiration of both" Hinchee Patents,⁸³ ignores that Corteva necessarily practiced claim 18 of the '877 Patent to create E3 Soybeans. Claim 18 covers seeds

⁷⁴ License Agreement § 2.03.

⁷⁵ DMSJ at 1-3 (accepting Bayer's interpretation of the License Agreement for purposes of the Motion).

⁷⁶ Compl. ¶¶ 1-4, 25-27, 29-37, 62-64, 116(d); DMSJ, Ex. A (excerpts from Bayer's damages expert outlining its E3 Soybean royalties claim).

⁷⁷ DMSJ Reply, Ex. B ¶¶ 62, 74, 87-88.

⁷⁸ *Id.*

⁷⁹ *Id.* Ex. C at 291:4-294:10, Ex. D.

⁸⁰ Amended Complaint, Ex. D at 23-25 (D.I. 54).

⁸¹ Compl. ¶¶ 3, 25-27 ("[t]he initial transformation event is thus the foundation from which all future plants containing the inserted and integrated genetic element are derived."), 39-55 (citing claim 1 of the '877 Patent).

⁸² DMSJ Reply, Ex. B ¶¶ 62, 74, 87-88.

⁸³ Compl. ¶¶ 56-60.

harvested from the plant grown from the soybean that was genetically modified according to the '877 Patent's transformation method.⁸⁴ While the parties disagree on claim 18's exact scope, there is no dispute that it at least covered the T1 seed.⁸⁵ Corteva harvested the T1 seeds on November 18, 2008,⁸⁶ four months after the '877 Patent expired on July 22, 2008.⁸⁷ Had Corteva not harvested the T1 seeds, it could not have cross-bred them to create the E3 Soybeans, and Bayer would have no basis to seek royalty payments under the License Agreement.⁸⁸ Accordingly, Bayer's royalty claim depends on Corteva's post-expiration use of the '877 Hinchee Patent.

That Bayer "has never asserted that Claim 18 covers commercial E3 [S]oybeans . . . [or] relied on Claim 18 as the basis for its royalty claim,"⁸⁹ does not preclude the Court from reaching that conclusion. Several lines of reasoning support

⁸⁴ See '877 Patent. Claim 18 of the '877 Patent covers "[a] seed produced from the plant of claim 14. *Id.* at 12. Claim 14 covers "[a] soybean plant produced by the method of claim 1. *Id.* Claim 1 details "[a] method or transforming soybean[.]" *Id.* at 11-12.

⁸⁵ See DMSJ Opp'n 28 (admitting "Corteva did practice unexpired claim 18 when it propagated seeds from the T0 E3 plant that it made using Dr. Hinchee's claimed transformation method[.]"); DMSJ Opp'n, Ex. W at ¶ 75. Interpreting claim 18 to include the T1 Seeds comports with the "axiomatic" principle "that a dependent claim cannot be broader than the claim from which it depends . . . [and] must 'incorporate . . . all the limitations of the claim to which it refers.'" *Alcon Rsch. Ltd. v. Apotex Inc.*, 687 F.3d 1362, 1367 (Fed. Cir. 2012) (quoting 35 U.S.C. § 112).

⁸⁶ DMSJ Reply, Ex. C at 291:4-294:10, Ex. D.

⁸⁷ See '877 Patent

⁸⁸ See License Agreement § 6.01 (entitling Bayer to royalties based on the units of ALPs "sold or otherwise transferred to any Third Party for Beneficial Use." (emphasis added)); Complaint, Ex. D (demonstrating that only the commercial E3 Soybean varietal is approved for sale).

⁸⁹ DMSJ Opp'n at 23-24.

that position. First, unlike a motion to dismiss,⁹⁰ on a motion for summary judgment the Court’s evaluation is not limited to the pleadings.⁹¹ Corteva is not asking the Court to impermissibly rely on “evidence potentially possible.”⁹² Rather, the Motion asks the Court to determine whether Corteva practiced claim 18 of the ’877 Patent when it created E3 Soybeans, based on the existing record. Second, although Bayer’s position does not rely on claim 18, the entire ’877 Patent was attached to the Complaint.⁹³ Even when the Court’s review is limited to the pleadings, it can consider “documents attached to the complaint[.]”⁹⁴ Finally, as a matter of common sense, it cannot be the case that a plaintiff’s decision to exclude certain facts from its complaint precludes a defendant from relying on those facts in defending the action. To hold otherwise would encourage gamesmanship, allowing plaintiffs to preemptively bar otherwise valid affirmative defenses through creative pleading.⁹⁵ For example, a plaintiff could purposefully exclude references to an express

⁹⁰ See *Peters ex rel. Peters v. Texas Instruments Inc.*, 2011 WL 4686513, at *2 (Del. Super. Sept. 30, 2011) (“[o]n a motion to dismiss, a court’s review is limited to the well-pleaded allegations in the complaint.” (quoting *Doe v. Cahill*, 884 A.2d 451, 458 (Del. 2005))).

⁹¹ See *Dominica v. Greenery at Rodney Square, Inc.*, 2020 WL 5536696, at *2 (Del. Super. Sept. 14, 2020) (“[i]n considering a Motion for Summary Judgment, the Court is *required* to examine the record, all pleadings, affidavits and discovery.” (emphasis added)).

⁹² *1205 Coastal, LLC v. Cover Owners Association, Inc.*, 2024 WL 324895, at * (Del. Super. Jan. 29, 2024) (quoting *Rochester v. Katalan*, 320 A.2d 704, 708 n. 7 (Del. 1974)).

⁹³ See Complaint, Ex C (D.I. 1).

⁹⁴ *Kim v. Coupang, LLC*, 2021 WL 3671136, at *4 (Del. Ch. Aug. 19, 2021) (citing *Wal-Mart Stores, Inc. v. AIG Life Ins. Co.*, 860 A.2d 312, 320 (Del. 2004)).

⁹⁵ See *TS Falcon I, LLC v. Golden Mountain Financial Holdings Corp.*, 2024 WL 3942255, at *8 (Del. Ch. Aug. 27, 2024) (“Delaware courts strive to prevent [] gamesmanship.”); *Rosenbaum v. CytoDyn Inc.*, 2021 WL 4775140, at *19 (Del. Ch. Oct. 13, 2021) (“Delaware law counsels against constructions that would facilitate [] perverse incentives.”).

agreement to sustain an otherwise barred unjust enrichment claim⁹⁶ or avoid a contractual damage cap by limiting allegations to a single provision.⁹⁷ Therefore, adopting Bayer’s position regarding the justiciability of claim 18 would violate the goal of promoting “balance to ensure the fundamental fairness of” litigation.⁹⁸ Accordingly, that Bayer did not include claim 18 of the ’877 Patent in its Complaint does not preclude the Court from considering that claim in evaluating Corteva’s *Brulotte* defense.

B. *Brulotte* Invalidates Bayer’s Royalty Claim.

Having found that Bayer’s E3 Soybean royalty claim necessarily depends on Corteva’s post-expiration use of the Hinchee Patents, the Court must consider how that fact impacts the *Brulotte* analysis. *Brulotte* held that “a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is *unlawful per se*.”⁹⁹ Therefore, courts will not enforce “a license agreement [that] provides

⁹⁶ See *CIT Communications Finance Corp. v. Level 3 Communications, LLC*, 2008 WL 2586694, at *4 (Del. Super. June 6, 2008) (“[t]he existence of an express contract governing the relationship of the parties precludes a claim of unjust enrichment arising from the same relationship.” (internal citation omitted)).

⁹⁷ *LG Electronics Inc. v. Invention Investment Fund I, L.P.*, 2024 WL 4675050, at *7 (Del. Super. Sept. 25, 2024) (“[y]et, a damage limitation imposed by clear contractual language is not an affirmative defense. Thus, failing to raise it in an Answer” does not waive the cap’s applicability).

⁹⁸ See *State v. Salasky*, 2013 WL 5487363, at *15 (Del. Super. Sept. 26, 2013).

⁹⁹ *Brulotte*, 379 U.S. at 32-33. The *Brulotte* Court grounded that holding in a concern that patent holders would leverage their bargaining power to extend their temporary monopoly over specific intellectual property beyond the term approved by Congress. *Id.* at 33 (“[a] patent empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly. But to use that leverage to project those royalty payments beyond the life of the patent is analogous to an effort to enlarge the monopoly of the patent by [tying] the sale or use of the patented article to the purchase or use of unpatented ones.”).

royalties for post-expiration use of a patent.”¹⁰⁰ Notably, “a royalty may be calculated based on activity requiring post-expiration use even if the royalty’s value does not vary with that use.”¹⁰¹

As discussed, Bayer would not be entitled to any royalties on the E3 Soybeans if Corteva did not practice claim 18 of the ’877 patent.¹⁰² There is no genuine factual dispute that Corteva practiced claim 18 after the ’877 patent expired.¹⁰³ Had Corteva not harvested and used the T1 Seeds, the E3 Soybeans would not be an ALP triggering the License Agreement’s royalty obligation.¹⁰⁴ Corteva correctly notes that its royalty obligation does not change based on the *amount* of post-expiration patent use. Indeed, the facts suggest that Corteva only practiced the Hinchee patents once after they expired. Yet, that fact alone does not preclude applying *Brulotte*.¹⁰⁵ Accordingly, Bayer’s royalty claim is *per se* unlawful, because it relies on Corteva’s post-expiration use of the ’877 Patent.¹⁰⁶

¹⁰⁰ *Kimble*, 576 U.S. at 459.

¹⁰¹ *Ares Trading*, 114 F.4th at 140 (internal quotes omitted). Indeed, “[t]hat was also the case in *Brulotte*. A Farmer’s annual payment varied with post-expiration use only if it exceeded a \$500 minimum.” *Id.* at 141 (citing *Brulotte*, 379 U.S. at 30).

¹⁰² *See supra* V.A.

¹⁰³ DMSJ Reply, Ex. C at 291:4-294:10, Ex. D.

¹⁰⁴ License Agreement §§ 2.03, 2.05, 6.01.

¹⁰⁵ *See Ares Trading*, 114 F.4th at 140.

¹⁰⁶ Bayer’s reliance on *Corteva Agriscience LLC v. Monsanto Company* to resist that conclusion is unconvincing. 2024 WL 4197718 (Del. Super. Sept. 16, 2024); *see* DMSJ Opp’n at 1, 11-12, 31. In that decision, the Court emphasized that its holding was based on the fact that “the Agreement is a latest-running-patent agreement *that is tied to additional non-patent rights*. . . . And the royalty provisions grant Corteva the privilege to use its contracted-for rights, *whether patent-related or not*.” *Corteva Agriscience*, 2024 WL 4197718, at *12 (emphasis added). Here, a product is only an ALP triggering the License Agreement’s royalty obligation if “its manufacture use or sale

Bayer’s reliance on the deferred compensation *Brulotte* exception does not compel a different holding.¹⁰⁷ The United States Supreme Court held that “*Brulotte* allows a licensee to defer payments for pre-expiration use of a patent into the post-expiration period[.]”¹⁰⁸ For that exception to apply, however, “the royalties to be paid after the expiration of the patent” must be “for the use of the subject invention *prior to the expiration of the patent.*”¹⁰⁹ Therefore, the deferred compensation exception only applies to “royalties that accrued during the life of the Patents.”¹¹⁰ Moreover, the underlying contract must evidence that the parties intended a deferred compensation scheme.¹¹¹ As discussed above, Bayer’s entitlement to royalties on the E3 Soybeans required practicing, albeit in a single

would, in the absence of the license under this Agreement, infringe one or more unexpired claims of the *Monsanto Patent Rights.*” License Agreement § 2.03 (emphasis added); see License Agreement § 2.19 (defining “Monsanto Patent Rights” based on the claims of patents held by Monsanto). Additionally, *Corteva Agriscience* did not have the evidence of post-expiration patent use integral to the at-issue royalty claim, that is present here. See *supra* V.A. Accordingly, the Court’s holding here is not contrary to *Corteva Agriscience*.

¹⁰⁷ DMSJ Opp’n at 1, 5-6, 16-19.

¹⁰⁸ *Kimble*, 576 U.S. at 453-54 (“[a] licensee could agree, for example, to pay the licensor a sum equal to 10% of sales during the 20-year patent term, but to amortize that amount over 40 years.”).

¹⁰⁹ *Bayer AG*, 228 F. Supp. 2d at 472 (holding the at issue royalties were “not *per se* patent misuse,” because “[r]oyalties are collected based on later pharmaceutical sales, but the royalties are being accrued as the invention is practiced during the research phase.”).

¹¹⁰ *Research Corporation Technologies Incorporated v. Eli Lilly and Company*, 2023 WL 6038277, at *4-5 (D. Ariz. Sept. 15, 2023); see *Magna Electronics, Inc. v. TRW Automotive Holdings Corp.*, 2015 WL 11434373, at *4 (W.D. Mich. Dec. 31, 2015) (“[a] licensee could agree, for example, to pay the licensor a sum equal to 10% of sales during the 20-year patent term, but to amortize that amount over 40 years.”).

¹¹¹ See *Lavery v. Pursuant Health, Inc.*, 126 F.4th 1170, 1177-78 (6th Cir. 2025) (rejecting the position that intellectual property agreements provided for a deferred compensation scheme, because “there is no evidence in the three agreements that supports this claim. In particular, the Contribution Agreement says nothing about the royalty amounting to a form of deferred compensation[.]”).

instance, the '877 Patent post-expiration.¹¹² Additionally, *all* of the royalties to which Bayer is allegedly entitled accrued after the '877 Patent expired, and the License Agreement does not evidence a deferred compensation scheme.¹¹³ Accordingly, the deferred payment exception does not apply and *Brulotte*'s prohibition controls.¹¹⁴

¹¹² See *supra* V.A.

¹¹³ See *generally* License Agreement (not discussing or referencing any deferred compensation). Bayer cites evidence showing the parties contemplated a delay between the development of products using IP covered by the License Agreement, and the sale of such products triggering the royalty obligation. See *supra* n.56. But, “our inquiry turns on the objective meaning of the contract, not on what the parties subjectively believed after the signing of the papers.” *Lavery*, 126 F.4th at 1178. Therefore, Bayer’s post-signing evidence does not overcome the fact that the License Agreement’s text does not establish a deferred compensation scheme.

¹¹⁴ Bayer’s invocation of the unexpired '139 and '954 Patents does not save its royalty claim. DMSJ Opp’n at 31-36. While those patents are included in the License Agreement, Bayer has never injected them into the litigation until now. See License Agreement § 2.19. Bayer’s position concerning those patents is ironic given that Bayer criticizes Corteva for relying on Claim 18 of the '877 patent, which was included in Bayer’s Complaint, when neither the '139 nor '954 Patent was similarly attached. See DMSJ Opp’n at 23-26 (critiquing Corteva for on the “hypothetical and unasserted Claim 18 royalty theory”); Complaint, Ex. C (D.I. 1). More fundamentally, that the License Agreement includes the unexpired '139 and '954 Patents does not compel a different result under *Brulotte*. *Kimble* held “royalties may run until the latest-running patent covered in the parties’ agreement expires.” *Kimble*, 576 U.S. at 454. Later decisions clarified that the inclusion of patents unrelated to the royalty obligation does not allow a patent holder to circumnavigate *Brulotte*. See, e.g., *XY, LLC v. Trans Ova Genetics*, 2020 WL 2128739, at *6 (D. Colo. May 5, 2020) (“when *Kimble* says that ‘royalties may run until the latest-running patent covered in the parties’ agreement expires,’ . . . it appears to assume that the licensee will be using or selling an apparatus or process that incorporates more than one of the licensor’s patents, so [that] such use or sale without permission will naturally infringe at least one patent until the latest-running patent expires.”); *Bradley Corporation v. Lawler Manufacturing Co., Inc.*, 2020 WL 7027875, at *7 (S.D. Ind. Nov. 30, 2020) (adopting the same principle). Rather, *Brulotte*, as clarified in *Kimble*, prohibits royalty obligations that “extend[] beyond the expiration of *the patents whose use provided the basis of the royalties*.” *ANI Pharmaceuticals, Inc. v. CG Oncology, Inc.*, 2024 WL 4986509, at *8 (Del. Super. Nov. 18, 2024) (emphasis in original). Bayer’s alleged entitlement to royalties on E3 Soybeans, in no ways relies on the '139 and '954 Patents. See *generally* Compl. (nowhere citing or incorporating the '139 or '954 Patents). Accordingly, that the '139 and '954 Patents are unexpired, does not save Bayer’s royalty claim.

In reaching that conclusion, this Court joins the long list of cases,¹¹⁵ treatises,¹¹⁶ and commentators¹¹⁷ to critique *Brulotte*’s bright-line rule. Even *Kimble* questioned the economic underpinnings of *Brulotte*, before affirming its *per se* rule pursuant to *stare decisis*.¹¹⁸ Indeed, the irrationality of *Brulotte*’s *per se* prohibition

¹¹⁵ See, e.g., *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014, 1017-18 (7th Cir. 2002) (Posner, J.) (“[*Brulotte*] has . . . been severely, and as it seems to us, with all due respect, justly, criticized[.]”); *Zila, Inc. v. Tinnell*, 502 F.3d 1014, 1019-20 (9th Cir. 2007) (“*Brulotte* renders unenforceable some aspects of an otherwise valid contract. And it does so for a reason that many courts and commentators have found economically unconvincing.”); *Goughnour v. Hayward Baker, Inc.*, 2018 WL 265588, at *6-7 (N.D.W. Va. Jan. 2, 2018).

¹¹⁶ See, e.g., 3 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* §18.05 (2014) (*Brulotte* “is so illogical from the standpoint of any economic analysis that it inspires awe that legal reasoning can be so removed from the universe in which it occurs”); Jay Dratler, Jr., *Licensing of Intellectual Property* §4.04[5][d] (1994 & Supp. 2013) (“[the] rule of *Brulotte* is an anachronism with little or no economic justification[,] . . . a lonely *per se* outpost in a rule-of-reason world.”); William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law* 380 & 418 (Harvard Univ. Press 2003) (*Brulotte* is “wrong,” “dubious,” “anomalous,” and “one of the all-time economically dumb Supreme Court decisions”); John W. Schlicher, *Patent Law, Legal and Economic Principles* §13:218 (2d ed. 2012) (“post-expiration royalties should not be a basis for patent misuse,” or, at a minimum, “should not be the subject of a *per se* rule.”).

¹¹⁷ See, e.g., Ian Ayres & Paul Klemperer, *Limiting Patentees’ Market Power without Reducing Innovation Incentives: The Perverse Benefits of Uncertainty and Non-Injunctive Remedies*, 97 Mich. L. Rev. 985, 1027 (1999) (“[o]ur analysis . . . suggests that *Brulotte* should be overruled.”); Richard Gilbert & Carl Shapiro, *Antitrust Issues in the Licensing of Intellectual Property: The Nine No-No’s Meet the Nineties* in *Brookings Papers on Economic Activity: Microeconomics* 283, 322 (1997) (“[e]conomic theory reveals that [the *Brulotte*] . . . doctrine is flawed.... [Its] [l]egal reasoning . . . , based on the notion that extending the royalties in time is to ‘enlarge the monopoly of the patent,’ although rhetorically appealing, does not seem to reflect commercial reality or basic economics.”); Rochelle Cooper Dreyfuss & Lawrence S. Pope, *Dethroning Lear? Incentives to Innovate After MedImmune*, 24 Berkeley Tech. L.J. 971, 1006 (2009) (*Brulotte* was “misguided when . . . decided and . . . [is] certainly out of step with current economic understanding and business practices.”); Thomas F. Cotter, *Four Questionable Rationales for the Patent Misuse Doctrine*, 12 Minn. J. L. Sci. & Tech. 457, 461 n.18 & 480 (2011) (“*Brulotte* has been widely, and justly, criticized as resting on flawed economic reasoning ... [and] would be hard to defend.”); Server et al., 1 Hastings Sci. & Tech. L.J. at 96-98 (criticizing *Brulotte* as “flawed”).

¹¹⁸ *Kimble*, 576 U.S. at 461 (“[w]e do not join issue with *Kimble*’s economics—only with what follows from it. A broad scholarly consensus supports *Kimble*’s view of the competitive effects of post-expiration royalties, and we see no error in that shared analysis.”).

is evidenced by the case at hand – where practicing a single patent claim, a single time, post-expiration invalidates a royalty obligation between sophisticated parties, in an industry with time-intensive product development. Yet, the Court has “no authority to overrule a Supreme Court decision no matter how dubious its reasoning” appears.¹¹⁹ While some courts have stretched *Kimble*’s holding to work around the *Brulotte* rule,¹²⁰ the mental gymnastics required to uphold Bayer’s royalty claim here exceeds this Court’s flexibility. Try as it might, the Court cannot remain intellectually honest and find that *Brulotte* does not bar Bayer’s royalty claim. Accordingly, Corteva’s Motion is **GRANTED**.¹²¹

¹¹⁹ *Scheiber*, 293 F.3d at 1018 (applying *Brulotte* after criticizing its logic).

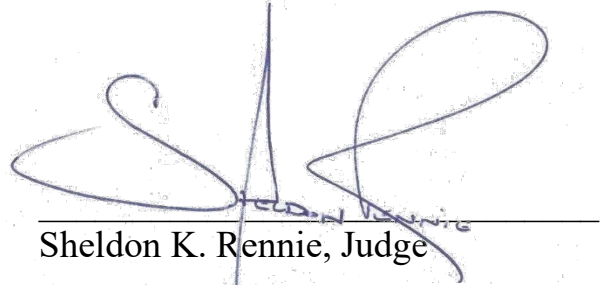
¹²⁰ *See, e.g., Goughnour*, 2018 WL 265588, at *6-7.

¹²¹ For the sake of clarity, the Court notes that *Brulotte*’s applicability does not invalidate the entire License Agreement. *See Zila*, 502 F.3d at 1023 (“*Brulotte* does not render an entire contract void and unenforceable merely because it includes an invalid licensing agreement. Rather, *Brulotte* renders unenforceable only that portion of a license agreement that demands royalty payments beyond the expiration of the patent for which the royalties are paid.”). Therefore, this Opinion does not resolve Bayer’s implied covenant claims. Given that *Brulotte* precludes Bayer from receiving royalties on Corteva’s E3 Soybean sales, however, it is unclear what damages Bayer could recover for those claims. As such, the Parties are directed to meet and confer concerning how they wish to proceed regarding Bayer’s remaining claims. The parties should update the Court via letter by close of business **May 12, 2025**, regarding how they wish to proceed.

VI. CONCLUSION

For the foregoing reasons, the Court **GRANTS** Corteva's Motion for Partial Summary Judgment.

IT IS SO ORDERED this 5th day of May, 2025.



Sheldon K. Rennie, Judge