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'On-Sale Bar' Ruling Portends More Headaches in Patenting Ideas Over Previous Offers to Sell

by Evan Finkel

An update on the "on-sale bar": In August Technology Corp. v. Camtek, Ltd.*, -- F.3d -- (Fed. Cir. Aug. 22, 2011) the Federal Circuit holds that subsequent events can turn a prior "non-offer" into an "offer" that invalidates a patent.*

The "on-sale bar" to obtaining a patent set out in Section 102(b) of the Patent Act provides that "A person shall be entitled to a patent unless … (b) the invention was . . . on sale in this country, more than one year before the invention thereof by the applicant for patent." 35 U.S.C. § 102. The date one year before the invention by the patent applicant is referred to as the "critical date." In its 1998 *Pfaff* opinion, the Supreme Court held "that the on-sale bar applies when two conditions are satisfied before the critical date." *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). "First, the product must be the subject of a commercial offer for sale." *Id.* "Second, the invention must be ready for patenting." *Id.* Regarding the "ready for patenting" requirement, the Supreme Court ruled "[t]hat condition may be satisfied in at least two ways: by proof of reduction to practice before the critical date; or by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention." *Id.*, 525 U.S. at 67-68.

The issue in *August Technology Corp. v. Camtek, Ltd.*, -- F.3d -- (Fed. Cir. Aug. 22, 2011) was whether the on-sale bar required that the invention be "ready for patenting" (the second requirement) at the time of the "commercial offer for sale" of the invention (first requirement). *Id.*, slip. op., at 17 ("The issue presented in this case is whether the invention must be ready for patenting at the time the alleged offer is made."). The Federal Circuit answered that question in the negative. *Id.* ("We conclude that it does not."). Instead, the Federal Circuit concluded that a commercial offer for sale can take place once the invention is conceived – even though the invention is not yet ready for patenting. *Id.*, slip op. at 18 ("Therefore, we conclude that an invention cannot be offered for sale until its conception date.").

The Federal Circuit further determined that an offer for sale of product made before the invention is conceived is transformed into a "*commercial* offer for sale of the *invention*" sufficient to satisfy the first prong of the on-sale bar test on a later date when the invention is conceived. *Id.* ("if an offer for sale is extended and remains open, a subsequent conception will cause it to become an offer for sale of the invention as of the conception date.") According to the Federal Circuit's logic: "In such a case, the seller is offering to sell the invention once he has conceived of it. Before that time, he was merely offering to sell an idea for a product." *Id.* Thus, if you make an offer to sell a product before the critical date, and conceive of the

invention after the offer to sell but still before the critical date, there is only one way to escape the on-sale bar, to wit, retract the offer before conception of the invention. *Id.* ("Hence, if an offer for sale is made and retracted prior to conception, there has been no offer for sale of the invention.").

Keep in mind, there is still the requirement that the invention be ready for patenting prior to the critical date. Thus, the scenario contemplated by the Federal Circuit is as follows. An offer to sell a product is made prior to the critical date but before the conception of the invention. The invention is subsequently conceived on a date that still precedes the critical date, converting the previous offer into a commercial offer for sale satisfying the first prong of the on-sale test. The invention is subsequently ready for patenting on a date that continues to precede the critical date, meeting the second and final prong of the on-sale test. Of course, if the offer for sale is retracted between the offer being made and conception of the invention, then there is no commercial offer for sale and the on-sale bar is avoided. But if the offer for sale is retracted between conception of the invention and the invention being ready for patenting, you are out of luck. You would have had a commercial offer for sale as of the date of conception which was before the critical date. And the invention would have been ready for patenting before the critical date. Nothing else is required.

To say this portends in-depth fact-specific inquiries by judge and jury is a gross understatement. Also, look for foggy and fading inventor memories as to the date of conception, as the inventor tries to persuade the trier-of-fact that while conception occurred before the date of otherwise potentially invalidating prior art, conception was after a previous sales offer was withdrawn. Not an easy task when new prior art is often raised over the course of litigation.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the author below.

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