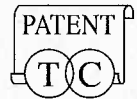


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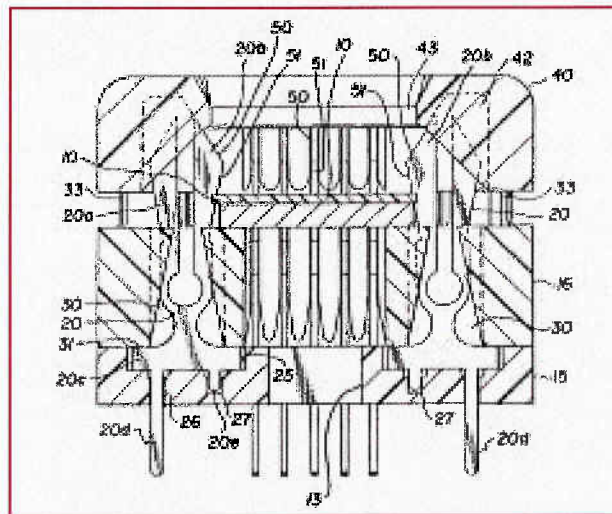
This newsletter is provided with our compliments. Its purpose is to inform our readers of developments within the firm and in the legal field of intellectual property law. We invite your comments, questions, and opinions.

U.S. Supreme Court Determines When an Invention is "On Sale"

by Bruce M. Monroe

In *Pfaff v. Wells Electronics Inc.*, 119 S. Ct. 304, 48 USPQ2d 1641 (1998), the Supreme Court of the United States considered whether an invention must be "reduced to practice" before it can be "on sale" within the meaning of the Patent Act. The Court replaced the "substantially complete" test used by the Court of Appeals for the Federal Circuit with a new "ready for patenting" test. The definition of "ready for patenting" makes it more likely, rather than less likely, that patents will be held invalid under the on-sale bar. After *Pfaff*, therefore, it is even more important that patent applications be filed in a timely manner.

The Patent Act bars patenting of an invention if a physical embodiment of the invention has been "on sale" in this country more than one year before the application for patent was filed. 35 U.S.C. § 102(b).



The U.S. Supreme Court in *Pfaff* held that the engineering drawings used in the offer for sale "depict accurately the claimed invention and are very similar to the actual patent drawings used in the patent." Figure 2 of the *Pfaff* patent, left, shows a sectional view of a twenty-pin version of the preferred embodiment.

This loss of patent rights is called an "on sale bar." Although an offer for sale is all that is required, and no one need actually buy for patent rights to be lost, the existence of a sale certainly indicates that an offer was made on or before the date the sale was completed.

In *Pfaff*, the inventor prepared detailed drawings of his invention, a computer chip socket (see accompanying picture), and accepted an order for 30,100 units more than one year before filing his patent application. He did not actually construct and test a prototype of the invention, however, until several months later—a date less than one year before filing his patent applica-

tion. The inventor argued that the one-year "grace" period did not start until he had reduced his invention to practice. Reduction to practice typically occurs with the construction and testing of a physical embodiment of the invention. Nevertheless, the Federal Circuit found invalid all of the claims asserted to be infringed. Even though the invention had not been reduced to practice, the Federal Circuit held that the "totality of circumstances" indicated that the invention was "substantially complete" when the offer for sale was made.

The Supreme Court rejected the "substantially complete" test, point-

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When an Invention is "On Sale"

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ing out that the "totality of circumstances" analysis used by the Federal Circuit is difficult to apply and "seriously undermines the interest in certainty." Instead, the Supreme Court held that the invention had to be "complete" before it could be considered to be on sale. An invention might be "complete," however, without necessarily being reduced to practice.

The Supreme Court noted that the term "invention" in the Patent Act "unquestionably refers to the inventor's conception rather than to a physical embodiment of that idea." Although a reduction to practice is evidence that an invention is "complete," proof of a reduction to practice is not necessary in every case. There is no statutory requirement that an invention be reduced to practice before it can be patented.

The Supreme Court held that an on-sale bar exists when two conditions are met more than one year before a patent application is filed:

(1) The invention is the subject of a commercial offer for sale; and

(2) The invention is ready for patenting.

The second condition, that the invention is "ready for patenting," can be demonstrated in either of two ways:

(2a) Proof of a reduction to practice; or

(2b) Proof that the inventor has prepared drawings or other descriptions of the invention that are sufficiently specific to enable a person of ordinary skill in the art to practice the invention.

Because the inventor had prepared detailed drawings of his invention, the Court found that it was ready for patenting when the sale was made and affirmed the judgment of the Federal Circuit.

Pfaff mandates early filing of a patent application, preferably before any discussions with outside parties have begun. A reduction to practice, or even substantial completion of the invention, is not necessary for an invention to be "ready for patenting." A description of the invention sufficiently specific to enable a person of ordinary skill in the art to practice the invention is all that is required to create a bar.

A reviewing court will scrutinize internal memoranda, research reports, research notebooks, research proposals, grant proposals, idea notebooks, even doodles and sketches on tablecloths, napkins, and the backs of old envelopes, to determine if they satisfy this requirement. In its review, the court will be guided by hindsight. The inventor typically does not know what ultimately will be patented when the offer for sale is made. Thus, the inventor cannot determine with certainty if a description of the invention is "sufficiently specific" to enable a person of ordinary skill in the art to practice the invention. The court will have the patent as a blueprint, however, when it reviews the relevant documents. Guided by this knowledge, the court might well hold that the invention was "ready for patenting" in the early stages of development, even though the inventor thought the invention was far from complete. Thus, under *Pfaff*, it is more likely, rather than less likely, that patents will be held invalid because of an on-sale bar. ■

Speaker's Forum

- Jonathan Spadt spoke to the 160-member junior class of chemical engineering students at Penn State University on January 28, 1999. The lecture provided a basic overview of the U.S. patent laws, as well as the importance of the patent system in R&D and business strategies. Many patent attorneys have been prompted to enter the field by similar lectures in the past.

- Kevin Casey visited the Canadian law firm of Fetherstonhaugh & Co. in Montreal on January 18, 1999. While there, he made a presentation on U.S. patent protection for methods of doing business. A recent case, *State Street Bank & Trust Co.*, has clarified such protection. Our friends in Canada comprise one of the world-wide network of intellectual property firms with whom we enjoy a working relationship.

- Paul Prestia and Lou Beardell provided an overview of patents, trade secrets, and trademarks to approximately 35 business and technical attendees at Quaker Chemical Corporation on December 10, 1998. Paul and Lou presented the fundamentals of the rights protected by each type of IP. R&P welcomes the opportunity to discuss any aspect of IP law with our clients. ■

Ratner & Prestia specializes in patent, trademark, and copyright matters and realizes an obligation to keep its clients, and others, informed in those areas. The articles in this newsletter are intended to provide only a brief, general overview of each subject and are not necessarily the opinion of this firm. R & P recommends that readers seek specific information on particular matters of concern.

INSIGHT is published by Ratner & Prestia. The firm welcomes your articles, ideas for articles, comments, and suggestions. Please contact Kevin R. Casey, the editor, or his assistant, Jonathan H. Spadt, at our offices:

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