

## TOO LATE TO PATENT?: THE ON SALE BAR

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Unless a business is sensitive to the need to file a patent application before placing a new product on sale, it may forfeit its rights to apply for a patent without knowing it. Simply by placing a product on sale, it can cause the immediate loss of the right to apply for patents in many foreign countries. Fortunately, in the United States, there is a one year grace period for getting a patent after the product is placed on sale; that is, an applicant who places a product on the market can wait one year, but no longer, before applying but still obtain a patent on the product.

Sometimes it is very clear when a product goes on sale, but often it is not. What happens, for example, if a prototype is shown at a trade show? The purpose of a trade show is to provide a vehicle for vendors to stimulate interest in new products so that customers will buy them. If orders for the product are taken at the trade show, it is more likely that the product is “on sale” and the one year grace period has begun. It does not matter if the customers are not buying, the grace period can begin simply by offering the product for sale. Sometimes, however, a product is really not ready to be sold, but, for marketing reasons, the company developing it wants to make certain its customers know about the product beforehand. If this type of product is shown at the trade show but is actually still being developed, the result may be just the opposite. It may not be “on sale.” How can you tell whether your product is “on sale”?

To determine the answer, one begins with the relevant statute, section 102(b) of Title 35, United States Code. Section 102(b) reads as follows:

**b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, . . .** [emphasis supplied].

Two recent cases are particularly useful in interpreting this on sale provision of the law: *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), and *Space Systems/Loral, Inc. v. Lockheed Martin Corp.*, 1999 WL 1278382 (N.D.Cal. 1999). In *Pfaff*, the Supreme Court has set out an analytical system for determining whether activity falls within the 35 U.S.C. § 102(b) “on-sale bar” to patentability. The U.S. District Court for Northern California applied this system in *Space Systems*. In summary, the test states that, before the “critical date” (which is one year before the application for patent is filed),

- 1) The product must be the subject of a commercial offer for sale, and
- 2) The invention must be ready for patenting; that condition is satisfied in at least two ways:
  - a) By proof of reduction to practice before the critical date, or

**b) 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.**

In *Pfaff*, the Supreme Court realized that the product and the invention might be separate entities; as a result, this test is two-pronged: (1) was it (the “product”) the subject of a commercial offer for sale and (2) was it (the “invention”) ready for patenting. The first prong focuses on a fairly traditional concept of a commercial offer for sale of products, which has nothing to do with patent law in particular but simply commercial law. There is a vast body of law dealing with what constitutes an offer for sale. However, under the interpretation of the *Pfaff* court, the analysis does not stop there. There is still the second prong, which focuses on the patent law concept of “reduction to practice” of an invention through the phrase “ready for patenting.” Under the two prongs of this test, a company might offer to sell a product, but the invention underlying the product has not been reduced to practice; it may receive an acceptance of its offer but not have started the “on sale” bar because only one prong of the test has been satisfied. This situation is more common than one might initially suspect – in the software industry, “vaporware” (software packages that are not yet completed) is announced and sold long before the programs are finished.

Is this an incorrect result? No. While undefined or ill-defined goods and services are bought and sold everyday, the patent laws require a level of certainty as to what exactly is the invention before the inventor of that invention can be barred from applying for a patent. The invention finally reduced to practice may or may not be consistent with the product that the seller offered to sell or the buyer agreed to buy. So the second prong focuses on what the invention is. If the invention (not the same as the product, which may be an embodiment of the invention) is ready for patenting and a product made according to an embodiment of that invention is offered for sale, the “on sale” grace period has begun.