

COMMENT

WHAT THEY DON'T KNOW SHOULDN'T HURT YOU: ADDING A PUBLIC KNOWLEDGE PRONG TO THE ON-SALE BAR HELPS PROVIDE CERTAINTY TO INVENTORS AND COMPETITORS ALIKE*

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the confused state of the law.⁷ Inventors still struggle to determine when an invention was put on sale and, accordingly, the latest date the inventor may file a patent application.⁸

Generally, inventors avoid filing patent applications too early because they may be unsure if the invention is worth a patent or because the patent may not cover the entire scope of the invention at an earlier stage.⁹ If an inventor has developed her invention in multiple stages, she may be continuously rebuilding working models and substantially revising her invention each time. If, during the development stage, she makes an offer to sell her invention upon its successful completion, it becomes extremely difficult to determine at which point the on-sale bar is triggered, potentially denying her the right to apply for a patent for her invention. Courts should interpret the law in a way that adds more certainty in order to help inventors calculate their final filing date and thereby protect their inventions.

This Comment presents an overview of the standards courts have used thus far to determine whether the on-sale bar applies. Part II provides background on the statutory bar, the policy concerns behind it, and its impact on negligent inventors. Part III lists the various tests previously defined to address the on-sale bar. Part IV analyzes the landmark case *Pfaff v. Wells Electronics, Inc.*¹⁰ and its impact on decisions of lower courts. Part V discusses the current understanding of the bar and practical problems with the current law. Part VI looks at how some long-awaited legislation, if passed, may simplify the determination of the on-sale bar's application. Part VII suggests simplifying the on-sale bar analysis. In line with the existing trend for patent reform,¹¹ this Comment proposes adding a component to the on-sale bar analysis that takes

it applies to the on-sale bar).

7. See Timothy R. Holbrook, *The More Things Change, the More They Stay the Same: Implications of Pfaff v. Wells Electronics, Inc. and the Quest for Predictability in the On-Sale Bar*, 15 BERKELEY TECH. L.J. 933, 933 (2000) (noting that the *Pfaff* decision has led to uncertainty in the lower courts).

8. See Allen, *supra* note 4, at 125–26 (observing that patent practitioners and inventors alike are repeatedly faced with the problem of determining when patent rights are lost under the statutory bar).

9. See Patrick J. Barrett, Note, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 STAN. L. REV. 730, 735 (1972) (explaining that an inventor needs time to decide if he is confident enough in his invention before expending the often considerable funds necessary to obtain a patent).

10. *Pfaff*, 525 U.S. at 55.

11. See Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336, 336 (2005) (“The movement for major, substantive, legislative reform in 2005 is strong—stronger than at any point in recent memory.”).

into account the public awareness resulting from the sale, which would ease the determination of when the on-sale bar applies.

II. BACKGROUND

In order to recognize the significance of the on-sale bar, it helps to understand the origins of the law and why it is unique to the United States.¹² In addition, in order to appreciate the gravity of the problem, we must consider its impact on today's inventors.

A. *The On-Sale Bar in Patent Law*

Congress enacted the first patent statute in 1790¹³ in order to serve the clear intent of the U.S. Constitution to encourage the development of science and the arts.¹⁴ In very broad language, the statute authorized the grant of a patent to anyone who invented something "not before known or used."¹⁵ It was not until 1836 that Congress realized that the constitutional goal of granting rights for "limited [t]imes" required it to prevent inventors from circumventing the statutory scheme by improperly delaying filing the patent application in order to increase their profits.¹⁶ Reasoning that any sale would make the invention known to the public, Congress introduced the on-sale bar, which prohibited inventors from claiming a patent on an invention they had already sold or given permission for use publicly.¹⁷ There has been very little change to this law, now codified in section 102(b) of Title 35 of the U.S. Code.¹⁸ Section 102(b) provides, "A person shall be entitled to a patent unless . . . the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the

12. See *infra* notes 221–22 and accompanying text (noting the early divergence between U.S. patent law and that of foreign countries).

13. Patent Act of 1790, ch. 7, § 1, 1 Stat. 109 (repealed 1836).

14. See U.S. CONST. art. I, § 8, cl. 8 ("To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

15. Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110 (repealed 1836).

16. U.S. CONST. art. I, § 8, cl. 8; see also Patent Act of 1836, ch. 357, § 7, 1 Stat. 117, 119.

17. See Patent Act of 1836, ch. 357, § 7, 1 Stat. 117, 119 (current version at 35 U.S.C. § 102(b) (2000)).

18. See 35 U.S.C. § 102(b) (2000); see also ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS 159 (2004) ("What is remarkable, though, is how few changes there have been since [1836] in the United States."); ROGER E. SCHECHTER & JOHN R. THOMAS, PRINCIPLES OF PATENT LAW 75–76 (2d ed. 2004) (noting that the one year period is commonly referred to as the "grace period").

United States.”¹⁹ As intended, the primary impact of the law is on inventors.²⁰

B. Impact of the On-Sale Bar on Inventors

The on-sale bar is similar to a statute of limitations because it denies patent rights to inventors who fail to act promptly.²¹ The impact of the on-sale bar is most commonly seen in patent infringement litigation.²² A finding of the existence of the on-sale bar will invalidate the patent and result in a win for an alleged infringer.²³ Therefore, any negligence on the part of the patentee in controlling offers for sale before the filing of a patent claim may potentially invalidate the patent long after it has been granted.

Overall litigation statistics on patent validity²⁴ for 2006 show that the alleged infringer won 53% of the time, invalidating the patent, while the patentee won 47% of the time, validating the enforceability of the patent.²⁵ Looking at the statistics related only to the on-sale bar issue, however, the alleged infringer prevailed five times while the patentees only proved validity three times.²⁶ It may be fair to conclude when the on-sale bar issue arises there is a good chance that it invalidates the patent at issue.²⁷

Not only does a finding of the existence of an on-sale bar invalidate the patent, it may lead to further punishment of the inventor. It may demonstrate to the court inequitable conduct by the patentee in failing to disclose offers for sale and public uses that would have invalidated the claim under section 102(b) of the

19. 35 U.S.C. § 102(b) (2000).

20. See Allen, *supra* note 4, at 143–44 (illustrating how the on-sale bar affects inventors).

21. See UMC Elecs. Co. v. United States, 816 F.2d 647, 659–60 (Fed. Cir. 1987) (Smith, J., dissenting) (illustrating the comparison).

22. See *infra* notes 78–84 and accompanying text (discussing the effect of the on-sale bar in *Pfaff v. Wells Elecs. Co.*, 525 U.S. 55 (1998)).

23. See *Dana Corp. v. Am. Axle & Mfg., Inc.*, 279 F.3d 1372, 1375 (Fed. Cir. 2002) (explaining that validity of a patent under the on-sale doctrine is a question of law based on underlying facts).

24. The Institute for Intellectual Property and Information Law at the University of Houston Law Center publishes U.S. patent litigation statistics. University of Houston Law Center, U.S. Patent Litigation Statistics, <http://www.patstats.org/Patstats3.html> (last visited Feb. 29, 2008).

25. University of Houston Law Center, U.S. Patent Litigation Statistics, Decisions for 2006, <http://www.patstats.org/2006.htm> (last visited Feb. 29, 2008) (showing decisions on patent validity based on issue raised by the plaintiff).

26. *Id.*

27. See Paul M. Janicke & LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 *AIPLA Q.J.* 1, 39–42 (2006) (explaining that, given the current state of law, it is not surprising that patent owners fail in most of their litigation attempts).

Patent Act.²⁸ The consequences of a finding of such inequitable conduct may include an award of attorney's fees to the opposing party²⁹ and exposure to antitrust claims.³⁰ Further, it may place other patents in the family of the inventor's claims under stricter scrutiny.³¹ While the on-sale bar may seem devastating to inventors, there are legitimate motivations that drove Congress to enact this legislation.

C. The Need for the On-Sale Bar and the Motivations of Congress

The underlying policies behind the on-sale bar are the need to balance the public's interest and the inventor's rights.³² The public's interest includes the need for prompt disclosure of new inventions, the prevention of detrimental reliance by the public as well as other inventors, and the prevention of illegal profiteering by the inventor.³³ In tension with these interests is the inventor's right to determine her invention's worth before filing a patent application.³⁴ Courts have analyzed these underlying policies when formulating tests to determine if the on-sale bar is satisfied.³⁵

The first policy consideration guards against removing from public use those inventions that the public has justifiably come to believe are freely available to all as a consequence of prolonged

28. See 35 U.S.C. § 102(b) (2000); see also Patents, Trademarks, & Copyrights, 37 C.F.R. § 1.56 (2007) (mandating a duty to disclose any information material to patentability of the invention); *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1358 (Fed. Cir. 2003) (finding inequitable conduct when the patent applicant fails to disclose material information).

29. See 35 U.S.C. § 285 (2000) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party.").

30. See, e.g., *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1378–83 (Fed. Cir. 2000) (evaluating claims for violation of state and federal antitrust laws against a patent applicant).

31. See U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2165 (8th ed., 6th rev. Sept. 2007), available at <http://www.uspto.gov/web/offices/pac/mppep> [hereinafter PATENT MANUAL] (noting that finding of inequitable conduct will lead to invalidation of other patents dealing with the same technology).

32. See Barrett, *supra* note 9, at 732–33, 736 (noting the legislative intent behind the 1939 amendments to the Patent Act of 1836).

33. *Id.* at 732–34 (describing the public interest protected by the patent system).

34. See *id.* at 735 (discussing why the one year grace period favors inventors). See generally 2 DONALD S. CHISUM, CHISUM ON PATENTS § 6:02 (2007) (discussing policy considerations behind statutory bars).

35. See Sweeney & Sanders, *supra* note 3, at 170 ("Since 'the policies underlying the bar, in effect, define it,' a discussion of the future of the on-sale bar must begin with an understanding of the principles that have guided the courts to this point." (quoting *W. Marine Elecs., Inc. v. Furuno Elec. Co.*, 764 F.2d 840, 844 (Fed. Cir. 1985))).

sales activity.³⁶ The rationale for this consideration is to avoid detrimental reliance by the public.³⁷ When a product is sold to the public without any indication of patent protection,³⁸ the public may believe that the invention is part of the public domain. This policy protects competitors who have commercialized the invention, relying simply on the public availability of the invention.³⁹ If the inventor were allowed to later patent the invention and hold these competitors liable for infringement, it would be unfair to competitors who have invested resources in developing their own product or process based on the invention.⁴⁰

The second policy consideration recognizes the need for “prompt and widespread disclosure of new inventions to the public.”⁴¹ The on-sale bar furthers this aim by presenting the inventor with a situation in which delay in filing her application could foreclose her patent rights altogether.⁴² The possibility of such a tremendous loss provides a strong incentive to disclose the invention.⁴³ Because society pays a cost in terms of the monopoly granted to the inventor by a patent, it is only fair that in return society gets prompt disclosure of the innovation and the availability of new knowledge and technology.⁴⁴

The third policy behind the on-sale bar prevents inventors from commercially exploiting the exclusivity afforded by the

36. See Barrett, *supra* note 9, at 733 (explaining the problems that occur when a member of the public mistakenly believes that an invention or product is part of the public domain).

37. See S. REP. NO. 76-876, at 1 (1939) (revealing legislators’ concern that preapplication disclosure of an invention may cause the public to believe that the invention is open to anyone); H.R. REP. NO. 76-961, at 1 (1939) (same).

38. See 35 U.S.C. § 287(a) (2000) (allowing patent owners to mark products covered by their invention with the patent number).

39. See Barrett, *supra* note 9, at 733 (illustrating why a competitor would be justified in assuming that an invention or product is part of the public domain).

40. See Allen, *supra* note 4, at 129–30 (noting that a limitation on the “length of time the inventor may sell the product without applying for a patent” conserves valuable resources from being expended in producing a competing product).

41. UMC Elecs. Co. v. United States, 816 F.2d 647, 652 (Fed. Cir. 1987) (citing Gen. Elec. Co. v. United States, 654 F.2d 55, 61 (Ct. Cl. 1981)).

42. Frank Albert, Note, *Reformulating the On Sale Bar*, 28 HASTINGS COMM. & ENT. L.J. 81, 96 (2005) (hypothesizing that prompt disclosure spurs a faster rate of innovation, benefiting society).

43. See Barrett, *supra* note 9, at 733–44 (noting the risks faced by an inventor who chooses to forgo disclosure).

44. See Winslow B. Taub, *Blunt Instrument: The Inevitable Inaccuracy of an All-or-Nothing On-Sale Bar*, 92 CAL. L. REV. 1479, 1493–94 (2004) (analyzing the cost of such a monopoly to society); see also ALAN L. DURHAM, PATENT LAW ESSENTIALS 2 (2d ed. 2004) (“[A] patent is a kind of *bargain* between the inventor and the public, by which the inventor receives a monopoly in exchange for disclosing the invention to the public . . .”).

patent beyond the statutorily prescribed period.⁴⁵ Congress has set this period to twenty years from the earliest-claimed filing date.⁴⁶ Absent the threat of losing her rights altogether, an inventor could profit from her invention without filing for a patent up to the point when competitors start commercializing it.⁴⁷ This delay would effectively add to the statutory period Congress has allowed the inventor to monopolize her invention.⁴⁸ Further, without a deadline for filing the patent application, competitors would tend to stay away from commercializing the invention, fearing that the inventor would file for a patent as soon as they have invested in the technology.⁴⁹

The final policy consideration driving the on-sale bar attempts to afford the inventor a reasonable amount of time following the invention's initial sales activity to determine whether the patent filing is a worthwhile investment.⁵⁰ An inventor cannot be sure, early in the inventing process, whether the invention will have any commercial value. The on-sale bar allows inventors to advance their inventions to such a stage that they may perform a reasonable cost-benefit analysis to decide whether the cost of prosecuting a patent is a sound investment.⁵¹ Further, the grace period allows time for drafting a patent application—a tedious and time-consuming process.⁵² The policy “also benefits the general public because ‘it tends to minimize the filing of inventions of only marginal public interest.’”⁵³ With an understanding of the policy behind the law and its development, we now turn to the courts' complicated interpretation of this seemingly simple law.

III. UNDERSTANDING OF THE ON-SALE BAR BY COURTS

Since Congress enacted the on-sale bar, courts have developed different standards to define when the on-sale bar

45. *UMC Elecs. Co.*, 816 F.2d at 652 (quoting *Gen. Elec. Co.*, 654 F.2d at 61).

46. 35 U.S.C. § 154(a)(2) (2000).

47. Albert, *supra* note 42, at 94–95 (noting the concern that without the on-sale bar, inventors would abstain from obtaining a patent until the onset of competition).

48. *See id.* (arguing that without the on-sale bar, an inventor's monopoly over her product could extend indefinitely).

49. *See* Allen, *supra* note 4, at 130–31.

50. *UMC Elecs. Co.*, 816 F.2d at 652 (quoting *Gen. Elec. Co.*, 654 F.2d at 61).

51. *See, e.g.*, R. Jason Fowler, Note, *Lacks v. McKechnie and the Quest for On-Sale Bar Certainty*, 38 GA. L. REV. 1369, 1375 (2004) (explaining that sales activity may help the inventor determine if the invention is likely to be commercially successful).

52. *See* Allen, *supra* note 4, at 131 (noting the need for an attorney when filing a patent).

53. Fowler, *supra* note 51, at 1376 (quoting *Gen. Elec. Co.*, 654 F.2d at 61).

applies.⁵⁴ The standards have differed in regards to both the invention's stage of development and the sale involved.⁵⁵ It is necessary to understand these tests—developed by the various circuits and more recently by the Federal Circuit—in order to analyze the current state of the law.

A. *On-Hand Test*

The first test used to determine whether an invention is “on sale” was laid out in 1912 by the First Circuit in *McCreery Engineering Co. v. Massachusetts Fan Co.*⁵⁶ Under this test, the invention must have physically existed and must have been available for sale to an actual or potential customer.⁵⁷ The test was simple: if the inventor sold an actual product embodying the invention, that sale would bar a patent.⁵⁸

B. *Reduction to Practice Test*

In *Timely Products Corp. v. Arron*, the Second Circuit decided that using the on-hand test amounted to an “extension of the patent monopoly.”⁵⁹ This extension allows “the inventor to manipulate the actual production and delivery of the invention so that commercial exploitation of the invention may be accomplished long before the on-sale bar is triggered.”⁶⁰ The court proposed a new three-prong “reduction to practice” test.⁶¹ It enunciated three conditions precedent that would trigger the on-sale bar.⁶² First, “[t]he complete invention claimed must have

54. See Kathryn Vesco Chelini, Comment, *Pfaff v. Wells Electronics, Inc.: Are You Risking Your Right To Patent Your Software?*, 37 NEW ENG. L. REV. 271, 274–79 (2003) (listing the various tests that courts have used to determine the meaning of 35 U.S.C. § 102(b)).

55. See *id.*

56. See *McCreery Eng'g Co. v. Mass. Fan Co.*, 195 F. 498, 500–01 (1st Cir. 1912) (holding that drawings and verbal description are part of conception and not invention, which occurs only on embodiment of the concept into a practical form).

57. See *id.* at 501–02 (“The law should encourage the inventor to embody his invention in practical form . . .”); see also *B. F. Sturtevant Co. v. Mass. Hair & Felt Co.*, 124 F.2d 95, 97 (1st Cir. 1941) (declaring that an invention cannot be on sale “till it is completed, delivered, and accepted”); *Burke Elec. Co. v. Indep. Pneumatic Tool Co.*, 234 F. 93, 93 (2d Cir. 1916) (requiring only that the product be “on hand ready to be delivered to any purchaser” in order to be considered on sale regardless of “whether any of them has been sold or not”).

58. *McCreery Eng'g Co.*, 195 F. at 502.

59. *Timely Prods. Corp. v. Arron*, 523 F.2d 288, 301 (2d Cir. 1975) (quoting *Philco Corp. v. Admiral Corp.*, 199 F. Supp. 797, 816 (D. Del. 1961)).

60. *Allen*, *supra* note 4, at 132.

61. See *id.* at 302 (agreeing with Chief Judge Wright's reasoning in *Philco*, 199 F. Supp. at 814–18, that sale offers provide monopolies to patentees).

62. See *Timely Prods. Corp.*, 523 F.2d at 302 (agreeing with the analysis of the

been embodied in or obvious in view of the thing offered for sale.”⁶³ Second, the completed “invention must have been tested sufficiently to verify that it is operable and commercially marketable.”⁶⁴ Third, “the sale must be primarily for profit rather than for experimental purposes.”⁶⁵

C. *Totality of the Circumstances Test*

After Congress created the Court of Appeals for the Federal Circuit, that court decided, in *UMC Electronics Co. v. United States*, it would not make the reduction to practice test an absolute requirement of the on-sale bar.⁶⁶ Instead, the court required “[a]ll of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered and weighed against the policies underlying section 102(b).”⁶⁷ In defining a completely abstract test for determining the meaning of “on sale,” the court looked to the inventor’s commercial activities, the extent of development of the invention, the completion of testing to satisfaction of the inventor, and the nature of the inventor’s contribution to the art.⁶⁸ This new test allowed courts to find a sale even in cases where the invention had not been reduced to practice.⁶⁹

D. *Completed Invention Test*

Following *UMC Electronics*,⁷⁰ lower courts struggled with applying the on-sale test until the Federal Circuit revisited it almost a decade later in *Seal-Flex, Inc. v. Athletic Track & Court*

legislative history of 35 U.S.C. § 102(b) in Patrick J. Barrett, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 STAN. L. REV. 730, 736 (1972)).

63. *Id.* Under this test, the sale of a product embodying the invention, but that did not function as advertised, would not invoke the bar.

64. *Id.*

65. *Id.*

66. *UMC Elecs. Co. v. United States*, 816 F.2d 647, 655–56 (Fed. Cir. 1987) (criticizing the prongs of the reduction-to-practice test as self-conflicting). See generally ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT 1088 (7th ed. 2005) (discussing Congress’s motivations in creating the Federal Circuit); JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 35–36 (2d ed. 2006) (describing the Federal Circuit as a successful experiment that led to a single reliable body for patent case law).

67. *UMC Elecs. Co.*, 816 F.2d at 656.

68. *Id.* at 657.

69. See *id.* at 656–67 (declaring the on-sale bar does not necessarily turn on whether there was a reduction to practice of the claimed invention but refusing to formulate a standard for determining when something less than a complete embodiment of the invention will suffice).

70. *Id.* at 659–60.

*Construction.*⁷¹ The Federal Circuit made a complete reversal from its earlier test. The court said before it could find a sale, not only should the invention be completed, but the marketer should also “know[] that the invention would work for its intended purpose without further testing or evaluation.”⁷² As with the reduction to practice test, the sale of a product embodying the invention that did not function as advertised would not invoke the bar under the completed invention test.⁷³

E. Substantially Complete Test

It was not long before the Federal Circuit realized the “completed invention” test tipped the scales heavily in favor of the inventor. In *Micro Chemical, Inc. v. Great Plains Chemical Co.*, the court revived and reinterpreted its holding in *UMC Electronics*, requiring only a substantially complete invention for the bar to apply.⁷⁴ Lowering the standard for the statute’s application, the court said any definite offer of sale—made when the invention is at a stage at which there is reason to expect that it would work for its intended purpose upon completion—would determine the critical date for the patent claim.⁷⁵ Under this test, an inventor could never be sure if her invention had reached a stage at which it would be held sufficiently developed by a court to invoke the bar.⁷⁶

The circuit courts, and more recently the Federal Circuit, attempted to interpret the statutory bar so as to achieve the balance of rights sought by Congress.⁷⁷ Their attempts, however, created a body of conflicting and uncertain law that ultimately led the Supreme Court to address this issue in the *Pfaff* case.

IV. *PAFF V. WELLS ELECTRONICS, INC.*: THE SUPREME COURT ON THE ON-SALE BAR

In 1998, the Supreme Court handed down its landmark decision addressing the on-sale bar in *Pfaff v. Wells Electronics*,

71. See *Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 98 F.3d 1318, 1324 (Fed. Cir. 1996) (reversing the decision of a court that relied on the holding of *UMC Electronics* to find an extensively developed invention to be sufficiently complete as to invoke the on-sale bar).

72. *Id.* (holding that the grace period allowed under the on-sale bar does not start to accrue while the inventor determines if the invention will serve its intended purpose).

73. See *id.*

74. *Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1545 (Fed. Cir. 1997).

75. *Id.* (declaring that there is no requirement of a reduction to practice to generate a statutory bar).

76. See *Allen*, *supra* note 4, at 125–26.

77. See *supra* Part III (detailing the analysis of court decisions).

*Inc.*⁷⁸ This Part analyzes the two-prong test set forth by the Court.

In an infringement lawsuit involving patents on a computer chip socket, the Court found that commercial marketing of the invention triggered the on-sale bar, even though the invention was only at the engineering-drawings stage when the offer was made.⁷⁹ The inventor failed to file his patent claim for more than a year after he sold his invention.⁸⁰ The Court of Appeals for the Federal Circuit, applying its “substantially complete” test, found that a reduction to practice was not necessary and the drawings indicated that the invention was “substantially complete.”⁸¹ The Supreme Court agreed with the Federal Circuit and also read the Patent Act to refer to “the inventor’s conception rather than to a physical embodiment of that idea.”⁸² The Court said, even at that stage, the inventor would have been successful in obtaining a patent on his invention without perfecting his art to the utmost, and his invention was therefore ready for patenting.⁸³ This became the crux of the two-part test the Court set forth for determining the application of the on-sale bar.⁸⁴

The first prong of the test requires the product be the subject of a commercial offer for sale.⁸⁵ Since there was an undisputed offer for sale in *Pfaff*, the Court did not elaborate on what would entail a commercial offer for sale in the context of patent claims.⁸⁶

The second prong of the test requires the invention be ready for patenting.⁸⁷ An inventor may prove this in one of two ways: (1) by proof of reduction to practice; or (2) by drawings or descriptions prepared by the inventor that are sufficiently specific “to enable a person skilled in the art to practice the

78. See *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 60 (1998) (stating that the Court granted certiorari because courts have incorrectly relied on the reduction to practice test and because the text of § 102(b) makes no reference to “substantial completion” of an invention).

79. *Id.* at 67–68. It was normal practice for *Pfaff* to avoid prototyping his inventions before offering to sell them in commercial quantities. *Id.* at 58.

80. See *id.* at 58–59.

81. *Pfaff v. Wells Elecs., Inc.*, 124 F.3d 1429, 1435 (Fed. Cir. 1997).

82. *Pfaff*, 525 U.S. at 60.

83. *Id.* at 62–63.

84. *Id.* at 67–68 (declaring that one method of proving that an invention is ready for patenting is by proving the existence of sufficient detail in the invention description so as “to enable a person skilled in the art to practice the invention”).

85. *Id.* at 67 (trivializing this prong by claiming that every inventor understands and controls the timing of the first commercial marketing of his invention).

86. *Id.* (stating in dicta that offers for experimental activity are a legitimate exception to the bar).

87. *Id.*

invention.”⁸⁸ In *Pfaff*, the Court found that the inventor’s engineering drawings would suffice to show the invention to be “ready for patenting” and the on-sale bar would invalidate any patents the inventor had been previously granted.⁸⁹ As much as the Court intended to simplify the test for the on-sale bar, subsequent decisions from lower courts illustrate it may have failed to do so.

V. UNDERSTANDING *PFAFF* AND THE CONFUSION AT THE LOWER COURTS

Despite the Supreme Court’s effort to create a predicable on-sale bar test, confusion remains.⁹⁰ Although both prongs of the *Pfaff* test need clarification, it is the failure of the *Pfaff* Court to expound on the commercial-offer-for-sale prong that is the key source of puzzlement to inventors today.⁹¹ This Part explores lower courts’ understanding of the test.

A. “Ready for Patenting” Prong

Since *Pfaff*, the Federal Circuit has repeatedly attempted to elaborate on what “ready for patenting” means. In the first case after *Pfaff*, the Federal Circuit made clear that lower courts should use the two-prong test laid out in *Pfaff*.⁹² Confusingly, the Federal Circuit conducted an analysis very similar to its earlier “substantially complete” analysis.⁹³

In later cases, the Federal Circuit focused on whether proof of conception is required for an invention to be “ready for patenting.”⁹⁴ On one hand, it has applied the bar even when

88. *Id.* at 67–68.

89. *Id.* at 68–69 (deciding that *Pfaff*’s invention was ready for patenting based on the fact that the manufacturer had been able to produce the invention simply by using his detailed drawings and specifications).

90. *See* *Holbrook*, *supra* note 7, at 959 (arguing *Pfaff* has effected no real change in the law because district courts are diverging significantly from the Supreme Court’s test, undermining the predictability and the certainty that the Supreme Court had hoped would emerge after *Plaff*).

91. *See infra* notes 116–17 and accompanying text (contrasting the application of the commercial-offer prong in subsequent decisions).

92. *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998) (declaring that the old methodology of balancing various policies according to the totality of the circumstances should no longer be used).

93. *See* *Holbrook*, *supra* note 7, at 955–56 (“[T]he facts used to demonstrate that the invention was ‘ready for patenting’ in the case were strikingly similar to those relied upon under the former ‘substantially complete’ test.”).

94. *Compare* *Abbot Labs. v. Geneva Pharms., Inc.*, 182 F.3d 1315, 1318–19 (Fed. Cir. 1999) (applying the bar in absence of proof of conception), *with* *Robotic Vision Sys., Inc. v. View Eng’g, Inc.*, 249 F.3d 1307, 1313 (Fed. Cir. 2001) (“[I]t is true that in order for

inventors have no idea they are in possession of an invention.⁹⁵ The court has held that even if the inventor has not actually conceived the invention, but rather the invention is accidentally reduced to practice, the court can consider it “ready for patenting.”⁹⁶ Commentators have noted that this holding seems contrary to the policy consideration that an inventor should be allowed a grace period after developing the invention, presumably after the inventor is actually aware of her invention.⁹⁷

On the other hand, the Federal Circuit has sometimes required complete conception and enabling disclosure for the invention to be “ready for patenting.”⁹⁸ In one of the earliest cases the Federal Circuit decided after *Pfaff*, the court declared the analysis must be whether the barring activity meets each of the limitations of the claim and, thus, whether it is an embodiment of the claimed invention.⁹⁹ Only one embodiment of the possible multiple embodiments or compositions, however, need be offered for sale for the bar to apply.¹⁰⁰

The next question is how much of the invention needs to be “ready for patenting” before it will preclude issuance of a patent for the entire invention. In *Scaltech Inc. v. Retec/Tetra, L.L.C.*, the Federal Circuit attempted to answer this question under the first prong of the *Pfaff* test.¹⁰¹ With regard to claims for inventions slightly different from the ones offered for sale, the Court in *Pfaff* found the on-sale bar was not limited solely to what was offered for sale.¹⁰² Subsequently, the Federal Circuit in

an ‘invention’ to be on sale under § 102(b) there must be a complete conception.”).

95. See *Abbot Labs*, 182 F.3d at 1317–19 (finding an on-sale bar in a chemical compound patent case in which the inventing party argued that the invention had not been conceived because it did not even know the identity of the crystalline form with which they were dealing).

96. *Id.* at 1318.

97. Holbrook, *supra* note 7, at 959.

98. See *Robotic Vision Sys.*, 249 F.3d at 1313 (stating that the test for determining whether the invention is complete requires both complete conception and proof that enablement of the invention occurred prior to the critical date).

99. *Scaltech Inc. v. Retec/Tetra, L.L.C.*, 178 F.3d 1378, 1380–84 (Fed. Cir. 1999) [hereinafter *Scaltech I*] (rehearing a previously decided case to take account of the intervening Supreme Court decision in *Pfaff*).

100. See *Scaltech Inc. v. Retec/Tetra, L.L.C.*, 269 F.3d 1321, 1330 (Fed. Cir. 2001) [hereinafter *Scaltech II*] (noting that the inventor need not appreciate all of the claimed characteristics of the invention at the time of the offer); *accord* *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 182 F.3d 888, 890 (1999) (declining to disregard a sale between “joint developers” when analyzing an on-sale bar application).

101. *Scaltech I*, 178 F.3d at 1384 (remanding to district court for fact determination); see also *Scaltech II*, 269 F.3d at 1331 (upholding district court’s decision invalidating the patent based on the ruling in *Scaltech I*).

102. See *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 60 (1998) (stating that the bar also

Scaltech interpreted this to mean an offer need not expressly state all of the claim limitations in order to invalidate the entire claim.¹⁰³ Invalidating a patent for an improved process for treating oil refinery waste, the court stated that “[i]f the process that was offered for sale *inherently possessed* each of the claim limitations, then the process was on sale, whether or not the seller recognized that his process possessed the claimed characteristics.”¹⁰⁴ This decision arguably denies the inventor her allowed grace period after she is actually aware of her invention.¹⁰⁵

The Federal Circuit’s application of the ready-for-patenting prong has been inconsistent and ambiguity continues to surround the question as to what state the invention must be in before the on-sale bar applies. We look now to the understanding of the second prong of the *Pfaff* test.

B. “Commercial Offer for Sale” Prong

An even greater source of confusion in determining when the on-sale bar applies emanates from the uncertainty regarding when an invention becomes the subject of a commercial offer for sale. Before the Supreme Court decision in *Pfaff*, this determination was just as arbitrary as the question of whether an invention existed at the crucial date.¹⁰⁶ The Federal Circuit never held that only a definite offer in the contract sense met the “on-sale” requirement.¹⁰⁷ Rather, the Circuit merely held that an “indefinite or nebulous discussion about a possible sale” would not constitute a “commercial sale.”¹⁰⁸ Therefore, there remained a logical gap between a definite contract offer and a “nebulous discussion.” The rationale was the bar should apply even if an

applied if the subject matter of the sale would have been obvious under what is claimed).

103. See *Scaltech I*, 178 F.3d at 1383–84 (“We note that there is no requirement that the offer specifically identify these limitations.”).

104. *Id.* at 1383–84 (emphasis added); accord *Plumtree Software, Inc. v. Datamize, LLC*, 473 F.3d 1152, 1163 (Fed. Cir. 2006) (holding that, even if the patentee’s sales agreement was ambiguous as to what was being offered, the on-sale bar would apply as long as it could be proved that the patentee performed each of the steps of the patented process before the critical date).

105. See *supra* note 97 and accompanying text.

106. See *Poplawski & Tripodi*, *supra* note 5, at 2362 (“These cases also reflect a constant struggle among the courts over whether to adopt hard and fast rules to define on-sale activity or to espouse a case-by-case approach.”).

107. See *RCA Corp. v. Data Gen. Corp.*, 887 F.2d 1056, 1062 (Fed. Cir. 1989), *overruled by* *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040 (Fed. Cir. 2001) (finding that a written proposal detailing background information on the invention and its delivery schedule would constitute a commercial offer for the purposes of the on-sale bar).

108. *Id.*

actual sale had not occurred and even when: (a) the inventor had made only a single offer to a single customer; (b) the prices were only estimates rather than any established prices; (c) no commercial production runs had ever been made; or (d) the alleged invention had never actually sold.¹⁰⁹ The court had not required delivery of the offered invention or the existence of the product in-hand in order to find an offer for sale.¹¹⁰ Additionally, the fact the sale was made by an independent third party, without the inventor's knowledge or consent, could still bar the inventor from filing for a patent more than a year later.¹¹¹

Not too long before *Pfaff*, the Federal Circuit found a commercial offer for sale based simply on literature produced by the inventor that included information useful to potential buyers.¹¹² Although the bar is only applicable to offers for sale within the United States, lower courts found international activity that may lead to a possible sale within the United States could invoke the on-sale bar.¹¹³

The courts were just as exacting in finding a commercial offer in cases in which the offers were made for nonprofit purposes.¹¹⁴ Although offers to sell purely experimental work are technically exempt from the bar, the court sometimes found them to invoke the on-sale bar.¹¹⁵

109. See *Gould, Inc. v. United States*, 579 F.2d 571, 583–84 (Ct. Cl. 1978) (finding that an offer to sell engines in production quantities on a fixed-price basis constitutes a sale within the meaning of 35 U.S.C. § 102(b)); see also *Atl. Thermoplastics Co., Inc. v. Faytex Corp.*, 970 F.2d 834, 836 (Fed. Cir. 1992) (finding that the sale of a single instance of the invention will suffice to bar claims); *Strong v. Gen. Elec. Co.*, 434 F.2d 1042, 1044–45 (5th Cir. 1970) (holding that even sales conditioned on successful completion of the invention, or on buyer satisfaction, will bar patent claims); MUELLER, *supra* note 66, at 142 (noting that an offer to sell a single unit will trigger the bar).

110. See *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998) (“It is immaterial that the record shows no delivery of the later patented caps . . .”).

111. See *In re Caveney*, 761 F.2d 671, 676 (Fed. Cir. 1985) (stating policy concerns justify the application of the on-sale bar even when the product is offered by someone other than the patentee).

112. *In re Epstein*, 32 F.3d 1559, 1567 (Fed. Cir. 1994) (finding that literature may indicate the possibility of a sale and may therefore be used as evidence of a sale, or at least an offer barring claims).

113. See *Robbins Co. v. Lawrence Mfg. Co.*, 482 F. Supp. 2d 426, 434 (9th Cir. 1973) (finding a product is “on sale” as long as “substantial activity prefatory to a sale occurs in the United States”).

114. See *In re Dybel*, 524 F.2d 1393, 1401 (C.C.P.A. 1975) (noting that a nonprofit motive does not automatically preclude a finding of “commercial exploitation”).

115. See *RCA Corp. v. Data Gen. Corp.*, 887 F.2d 1056, 1062 (Fed. Cir. 1989), *abrogated on other grounds by* *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001) (“A definite offer is not made *indefinite* because it concerns experimental work.”); see also *City of Elizabeth v. Am. Nicholson Pavement Co.*, 97 U.S. 126, 129, 134–35 (1877) (creating the experimental use doctrine in a case in which the inventor tested a new paving system for six years; the court stated that if the inventor

While the Supreme Court attempted to clarify the understanding of the on-sale bar in *Pfaff* by laying out a two-prong test, it did not elaborate on what it meant by “a commercial offer for sale” because the issue was not directly presented.¹¹⁶ Lower courts were left to redefine what constituted a commercial offer from their understanding of the Supreme Court’s goals in *Pfaff*.¹¹⁷

The Federal Circuit first attempted to interpret the commercial-offer-for-sale prong of the *Pfaff* test in *Group One, Ltd. v. Hallmark Cards, Inc.*¹¹⁸ In that case, the inventor developed a machine for producing curled and shredded ribbon for decorative packaging and contacted Hallmark prior to the critical date regarding his invention.¹¹⁹ The district court found a commercial offer for sale existed, thereby precluding the inventor from obtaining a patent under the on-sale bar.¹²⁰ In reversing the district court, the Federal Circuit announced that the meaning of “offer for sale” should be read to further “the broad goal of *Pfaff*, which . . . was to bring greater certainty to the analysis of the on-sale bar.”¹²¹ Attempting to resolve the confusion created by earlier decisions, the court held that any offer potentially invoking the

had a bona fide intent to test the invention, so long as it is not on sale for general use, he keeps the invention under his own control); *Watson v. Allen*, 254 F.2d 342, 346 (D.C. Cir. 1958) (explaining that although the courts “accord considerable hospitality to the inventor during the experimental state . . . this [limitation] disappears even during the experimental stage when the ‘experimental motive’ wanes, or is superseded by a profit motive”); SCHECHTER & THOMAS, *supra* note 18, at 98 (noting the general lack of precedent on this issue); William C. Rooklidge & Stephen C. Jensen, *Common Sense, Simplicity and Experimental Use Negation of the Public Use and On Sale Bars to Patentability*, 29 J. MARSHALL L. REV. 1, 29 (1995) (stating that experimental use can serve as an on-sale bar when it is done for a purpose other than experiments, such as clinical trials or other regulatory testing).

116. *Group One*, 254 F.3d at 1046 (discussing the Supreme Court’s decision in *Pfaff*); *see also* SCHECHTER & THOMAS, *supra* note 18, at 96 (noting the Court gave this prong “short shrift”).

117. *See, e.g., Group One*, 254 F.3d at 1046 (basing its understanding of the meaning of “a commercial offer for sale” on the language used by the Supreme Court in *Pfaff*); *see also* SCHECHTER & THOMAS, *supra* note 18, at 96 (“Subsequent decisions have suggested that *Pfaff*’s requirement of a commercial offer for sale has fallen prone to a common failing of brightline rules: promoting strategic behavior that extends just to the limit of the rule.”).

118. *Group One*, 254 F.3d at 1046.

119. *Id.* at 1044 (discussing relevant communications between Hallmark and Goldstein, the inventor).

120. *Group One Ltd. v. Hallmark Cards, Inc.*, 1999 WL 33457185, at *11, *13 (W.D. Mo. Sept. 2, 1999), *overruled by Group One*, 254 F.3d at 1048 (finding that even though the correspondence did not rise to a formal offer under contract law, it was sufficient to invoke the on-sale bar).

121. *Group One*, 254 F.3d at 1047.

bar had to be interpreted in terms of contract law.¹²² Emphasizing the need for a uniform standard, the Federal Circuit rejected the use of state contract law and instead held “that the question of whether an invention is the subject of a commercial offer for sale is a matter of Federal Circuit law, to be analyzed under the law of contracts as generally understood.”¹²³ The court found this uniform standard in the Uniform Commercial Code (UCC).¹²⁴ As a general proposition, the court directed lower courts to the UCC to define whether a communication or series of communications rises to the level of a commercial offer for sale.¹²⁵ The court, however, stopped short of making this binding law, instead directing lower courts to the vast body of general contract law already available.¹²⁶ Therefore, even as it dismantled the belief that something less than an offer to sell, as understood in general commercial transactions, was sufficient to trigger the on-sale bar, it left open the question of exactly what activities prior to the critical date would rise to the level of a commercial offer for sale in the context of the on-sale bar.¹²⁷

The Federal Circuit expounded further on the use of the UCC in determining whether a “commercial offer for sale” existed in *Linear Technology Corp. v. Micrel, Inc.*¹²⁸ In an infringement lawsuit, defendant Micrel claimed the inventor’s patent was invalid under the on-sale bar because the patentee took part in certain presale activities and solicitation of sales before the critical date.¹²⁹ In spite of the fact the patentee had actually received purchase orders for the product, the court found none of these activities constituted an offer for sale under general

122. *Id.* at 1046–47 (suggesting that applying contract law leads to more certain analysis).

123. *Id.* at 1047.

124. *Id.*

125. *Id.* at 1047–48 (using the UCC definition of an offer and declaring that only an offer that rises to the level of a commercial offer for sale—one in which the other party could make a binding contract by simple acceptance—constitutes an offer for sale under § 102(b)).

126. *Id.* at 1048 (referring to scholarship such as ARTHUR L. CORBIN, CORBIN ON CONTRACTS (1964) and JOHN D. CALAMARI & JOSEPH M. PERILLO, THE LAW OF CONTRACTS (4th ed. 1998)).

127. See Peter D. Sabido, Note, Group One, Ltd. v. Hallmark Cards, Inc.: *The § 102(B) On-Sale Bar Bright-Line Test of Pfaff v. Wells Electronics, Inc. Just Got Brighter*, 6 J. SMALL & EMERGING BUS. L. 583, 604–05 (2002) (listing various promotional and preparatory activities that an inventor can engage in before the critical date without triggering an on-sale bar).

128. *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1047–48 (Fed. Cir. 2001) (providing a thorough analysis of current on-sale bar jurisprudence).

129. *Id.* at 1045.

principles of contract law.¹³⁰ Expounding on its holding in *Group One, Ltd.*, the court said when there is no clear definition for the term “offer” in the UCC, courts must look to common law, such as the Restatement of Contracts, to guide their understanding.¹³¹ This decision helped provide some clarity to inventors at least with regard to the sources of law a court may look to in resolving their on-sale bar disputes.

This, however, changed when the Federal Circuit revised its understanding of what constitutes an offer in *Lacks Industries, Inc. v. McKechnie Vehicle Components USA, Inc.*¹³² Based on its holding in *Group One*, the court rejected the use of “something less than ‘a formal offer under contract law principles’” as an offer to sell but agreed with the infringing defendant that, under the UCC, course of dealing and evidence of the practice in the industry can be used to prove an offer.¹³³ In this case, the court found the vigorous promotional activities of the patentee may have otherwise amounted to a contractual offer for sale per the trade usage in the automotive industry.¹³⁴ In allowing usage of trade and course of dealing to determine the existence of an offer for sale for the purposes of the on-sale bar, the Federal Circuit seems to have departed from the Supreme Court’s goal of bringing certainty and predictability to the on-sale bar analysis.¹³⁵ The decision seems to go against the court’s own standards, set forth in *Group One* and *Linear Technology*, of

130. *Id.* at 1054 (finding a lack of evidence that an acceptance had actually occurred).

131. *Id.* at 1050 (using the definition of the term from the RESTATEMENT (SECOND) OF CONTRACTS (1981)). “An offer is the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it.” RESTATEMENT (SECOND) OF CONTRACTS § 24 (1981); *see also* 1 E. ALLAN FARNSWORTH, FARNSWORTH ON CONTRACTS § 3.3 (3d ed. 2004) (expounding on the meaning of the definition).

132. *Lacks Indus., Inc. v. McKechnie Vehicle Components USA, Inc.*, 322 F.3d 1335, 1347 (Fed. Cir. 2003) (“The standard for determining what constitutes an offer to sell sufficient to raise the on-sale bar had been subject to some confusion and change.”).

133. *Id.* at 1348.

134. *Id.* (remanding for further factual determination of automotive trade industry standards). More recently, the Federal Circuit found a commercial offer for sale when the inventor simply quoted a “free on board” price to a prospective buyer. *See Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1369–70 (Fed. Cir. 2007) (using BLACK’S LAW DICTIONARY 690 (8th ed. 2004) to define “free on board” and finding that the patentee made a commercial offer even though an invoice for the transaction was never created or paid).

135. *Lacks Indus.*, 322 F.3d at 1352 (Newman, J., concurring in part, dissenting in part) (“Such industry-specific, local, and subjective criteria are a regression toward the imprecision of the discredited ‘totality of the circumstances,’ a standard purposefully rejected by the Supreme Court in *Pfaff*” (quoting *Pfaff v. Wells Elecs., Inc.* 525 U.S. 55 (1998))); *see also* Paul M. Janicke, *On the Causes of Unpredictability of Federal Circuit Decisions in Patent Cases*, 3 NW. J. TECH. & INTELL. PROP. 93, 93 (2005) (discussing generally the unpredictability surrounding patent decisions in the Federal Circuit).

looking for the common denominator of UCC jurisprudence or to the common law when a question of UCC interpretation arose.¹³⁶ By allowing such factors to bear on the on-sale bar issue, the court has made it all but impossible for the inventor to understand or control the timing of the first commercial marketing of her invention.¹³⁷

Lastly, it has also become difficult to know if an experimental use will now be exempt from the on-sale bar.¹³⁸ Even while recognizing the experimental use doctrine, the *Pfaff* decision seems to have tightened the leash on this exception by adding a limitation to the amount of time allowed for experimentation.¹³⁹ Following *Pfaff*, the Federal Circuit has issued a series of inconsistent decisions that have made it extremely difficult to understand where the experimental-use doctrine stands.¹⁴⁰ In *Weatherchem Corp. v. J.L. Clark, Inc.*, the Federal Circuit found that if a prior purchase agreement exists between two companies, their joint development of an invention could not be considered experimental use even if the inventor has not profited from invention.¹⁴¹ In *Zacharin v. United States*, the court held the experimental-use doctrine cannot apply if the

136. See Fowler, *supra* note 51, at 1391–93 (arguing that usage of trade and course of dealing were never admitted to proving actual creation of a contract at common law and that, even under the UCC, there is an existing “split among jurisdictions as to whether course of dealing or usage of trade can be used to prove the existence of a contract”).

137. See *id.* at 1399–1401 (illustrating that the effects of including the course of dealing and usage of trade factors may span multiple industries and arguing that including this factor directly contravenes the policy protecting the inventor’s right to control whether and when he may patent his invention).

138. See *Atlanta Attachment Co. v. Leggett & Platt, Inc.*, No. 2007-1188, 2008 WL 450568, at *6–7 (Fed. Cir. Feb. 21, 2008) (Prost, J., concurring) (pointing out “the confusion in [Federal Circuit] case law regarding the applicability of the experimental use doctrine to the [*Pfaff*] test”).

139. See *Pfaff*, 525 U.S. at 67–68 (citing *Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir. 1946)) (warning that any attempt to use exception for profit or for a period longer than two years before the application would deprive the inventor of his right to a patent).

140. See, e.g., *Scaltech I*, 178 F.3d at 1384 n.1 (Fed. Cir. 1999) (declaring that the “experimental stage” doctrine has been rejected by both the Federal Circuit and the Supreme Court).

141. *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333–34 (Fed. Cir. 1998); see also *Cordant Tech. v. Alliant Techsys., Inc.*, 45 F. Supp. 2d 398, 398 (D. Del. 1999) (denying application of the experimental use doctrine when testing was done on a feature that was neither claimed nor inherent in the invention, when the sales contract was not primarily for experimental purposes, and when testing was done only at customer’s request). Most recently, the Federal Circuit denied the experimental use exception to a patentee who developed a machine specifically for a prospective customer and allowed the customer to experiment with the prototypes. *Atlanta Attachment Co.*, 2008 WL 450568, at *4 (holding that because the patentee did not retain control over the prototypes when they were being tested by the customer, such experimentation fell outside the scope of the exception).

invention was reduced to practice prior to entering into a contract for testing.¹⁴² The court, however, has at other times allowed an exception to the bar when the sale is merely incidental to the primary purpose of experimentation.¹⁴³ In *Allen Engineering Corp. v. Bartell Industries*, the court, in an attempt to clarify when the experimental-use doctrine would apply to on-sale bar issues, laid out an extensive list of the factors that can be used to determine if a sale was experimental.¹⁴⁴ This decision seems to have made the determination of experimental use in on-sale bar cases even more complicated.¹⁴⁵

142. *Zacharin v. United States*, 213 F.3d 1366, 1370 (Fed. Cir. 2000).

143. *See Honeywell Int'l Inc. v. Universal Avionics Sys. Corp.*, 488 F.3d 982, 997 (Fed. Cir. 2007) (allowing the exception even when the inventor produced a videotape of the invention and had design notes and published articles on hand because its offer to sell for testing purposes was simply part of the its effort to reduce the invention to practice, rather than an actual reduction); *EZ Dock, Inc. v. Schafer Sys., Inc.*, 276 F.3d 1347, 1352 (Fed. Cir. 2002) (allowing tests “needed to convince [the inventor] that the invention was capable of performing its intended purpose in its intended environment” (quoting *Gould Inc. v. United States*, 579 F.2d 571, 583 (1978))); *Monon Corp. v. Stoughton Trailers, Inc.*, 239 F.3d 1253, 1258–61 (Fed. Cir. 2001) (allowing experimental use doctrine where it was not feasible for the patentee to test the product himself); *see also Isogon Corp. v. Amdahl Corp.*, 47 F. Supp. 2d 415, 424 (S.D.N.Y. 1998) (citing *Manville Sales Corp. v. Paramount Sys. Inc.*, 917 F.2d 544, 550–51 (Fed. Cir. 1990)) (conducting more of a totality-of-circumstances test regarding experimental use and allowing the experimental use exception to the on-sale bar up until the point the inventor is certain the design works as expected even if the inventor received payment for the product); *Articulate Sys., Inc. v. Apple Computer, Inc.*, 53 F. Supp. 2d 62, 69 (D. Mass. 1999) (allowing experimental use to overcome the on-sale bar as long the inventor is “exploring the market” and not “exploiting the market”). *But see Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1344 (Fed. Cir. 2007) (finding sales made to determine marketability rather than for technical improvement could trigger the on-sale bar because they are not experimental).

144. *See Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1353 (Fed. Cir. 2002) (listing factors for the fact-finder to consider in each case in which an experimental use argument is made). These factors include:

- (1) the necessity for public testing,
- (2) the amount of control over the experiment retained by the inventor,
- (3) the nature of the invention,
- (4) the length of the test period,
- (5) whether payment was made,
- (6) whether there was a secrecy obligation,
- (7) whether records of the experiment were kept,
- (8) who conducted the experiment, . . .
- (9) the degree of commercial exploitation during testing[,]
- (10) whether the invention reasonably requires evaluation under actual conditions of use,
- (11) whether testing was systematically performed,
- (12) whether the inventor continually monitored the invention during testing,
- and (13) the nature of contacts made with potential customers.

Id. (quoting *EZ Dock*, 276 F.3d at 1357 (Linn, J., concurring)).

145. *See Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 64 (1998) (“[A]n inventor who seeks to perfect his discovery may conduct extensive testing without losing his right to obtain a patent for his invention—even if such testing occurs in the public eye.”). As the concurrence in *Atlanta Attachment* pointed out, the determination of the experimental use exception should focus on the first prong of *Pfaff* and should allow the inventor complete freedom to continue to privately develop the invention without risking invalidation as long as there is no commercial offer for sale. *Atlanta Attachment Co.*, 2008 WL 450568, at *8 (Prost, J., concurring) (recommending that private experimental use should be allowed “even if there is some commercial benefit to the inventor”).

It is clear the Federal Circuit's application of the commercial-offer-for-sale prong has been anything but consistent and, more importantly, has been far from *Pfaff's* goal of providing certainty to inventors. Attempting to apply these confusing legal standards in the real world of the scientific inventor makes for a challenging proposition.¹⁴⁶

C. Practical Problems with the Current State of Law

Besides the ambiguity that still surrounds both prongs of the *Pfaff* test, there are also practical issues faced by inventors that the law fails to address. On the ready-for-patenting prong, it is extremely difficult for most inventors to know when exactly their inventions are ready for patenting even as they work on them.¹⁴⁷ Courts later analyzing the invention have little difficulty in determining whether the invention was ready for patenting when it was offered for sale, but without such hindsight, the ready-for-patenting test is meaningless from the inventor's perspective.¹⁴⁸ Most inventions today are complex, and, at any given stage, an inventor is never certain if the invention will ever work.¹⁴⁹

More importantly, the ready-for-patenting test seems to ignore the reality of incremental development and inventor's cost concerns.¹⁵⁰ Most inventions are developed in small increments; the inventor repeatedly returns to the drawing board to make improvements.¹⁵¹ Even when an inventor believes her invention is ready for patenting, she may prefer to continue incrementally refining her invention to a more complete stage.¹⁵² Most inventors cannot afford to file patent claims after every incremental stage or when a subcomponent has become "ready

146. See Allen, *supra* note 4, at 125–26 (observing that patent practitioners do not have answers for inventors on when patent rights are lost under the current understanding of the law).

147. See *id.* at 143.

148. See *id.* at 147.

149. See, e.g., JOHN R. THOMAS, PHARMACEUTICAL PATENT LAW 104–05 (2005) (explaining how complex a pharmaceutical invention can be, requiring several iterations of development to understand and perfect).

150. See Lucius L. Lockwood, Note, *Ready, Set, Patent! How The Supreme Court in Pfaff v. Wells Electronics Jumped The Gun*, 40 JURIMETRICS J. 399, 409–10 (2000) (explaining that in today's high technology corporations, which use "concurrent engineering, cross-functional development teams, and out-sourced talent," as well as other design methodologies, "inventions evolve rather than just 'happen'").

151. See Allen, *supra* note 4, at 143.

152. See Lockwood, *supra* note 150, at 412 (explaining that patent practitioners must persuade inventors to file their application "early and often," even when the inventor believes the invention lacks comprehensiveness or significant innovation).

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for patenting.”¹⁵³ Further, even if cost was not a concern, such an approach would only increase the already huge backlogs at the U.S. Patent and Trademark Office (USPTO).¹⁵⁴ Along the same lines, such a policy forces premature patent application filings, leading to inadequate disclosure by the inventor.¹⁵⁵ Because of the huge backlog of patent applications at the USPTO, it takes an unreasonable amount of time for an inventor to receive an approval on her patent application or to hear from the USPTO.¹⁵⁶ If an inventor takes the route of filing a provisional application as a placeholder, any improvements to the invention that she makes at a later time are not protected by continuation-in-part priority, leading to loss of patent coverage for those innovations.¹⁵⁷

The ready-for-patenting test has been especially problematic for process and method patents.¹⁵⁸ An example of

153. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1498 (2001) (estimating cost of filing for patent to be \$10,000 to \$30,000 in 2001).

154. U.S. PATENT & TRADEMARK OFFICE, PATENT STATISTICS REPORTS, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last visited Feb. 29, 2008) [hereinafter STATISTICS REPORT] (showing statistics of the existing patent applications versus the number of patent grants made annually); see also U.S. DEPARTMENT OF COMMERCE, PATENTS AND HOW TO GET ONE: A PRACTICAL HANDBOOK 14 (2000) (reporting that in the year 2000, the USPTO received over 200,000 patent applications and over five million pieces of mail).

155. See MUELLER, *supra* note 66, at 38 (discussing how some inventors take advantage of the provisional patent application to establish conception of the invention with the USPTO and also obtain an early priority date); see also Lockwood, *supra* note 150, at 412 (noting that these early applications usually denote “incremental inventions of nominal value” and not “comprehensive or significant innovations”).

156. See MUELLER, *supra* note 66, at 41 (observing that USPTO backlog and examiner workload have increased to a level where it now takes over a year for an applicant to even receive a first office action); STATISTICS REPORT, *supra* note 154 (showing that it is taking more than three years for an average patent application approval); John W. Schoen, *U.S. Patent Office Swamped by Backlog*, MSNBC.COM, Apr. 27, 2004, <http://www.msnbc.msn.com/id/4788834> (estimating wait times will double in five years without long-overdue reforms).

157. See *New Railhead Mfg., L.L.C. v. Vermeer Mfg. Co.*, 298 F.3d 1290, 1294 (Fed. Cir. 2002) (applying the on-sale bar to deny the second non-provisional application because one of the claim limitations was not listed in the provisional application earlier filed on time). The court applied a strict standard to any provisional application filed by an inventor simply seeking to avoid the on-sale bar as to require that the claim specification of the provisional application “contain a written description of the invention and the manner and process of making and using it, in such full, clear, concise, and exact terms . . . to enable an ordinarily skilled artisan to practice the invention claimed in the non-provisional application.” *Id.*; see also 35 U.S.C. § 112 (requiring a patent application fully disclose the commercial embodiment); SCHECHTER & THOMAS, *supra* note 18, at 222 (noting that most inventors prefer not to file a provisional application).

158. See Steven J. Shumaker, *Business Method Patents: Navigating the Sea of Controversy*, at 25, <http://www.ssiplaw.com/files/busmethpat.pdf> (last visited Feb. 29, 2008) (noting that the ready-for-patenting test “could be more hostile to business method inventions than to inventions in less predictable arts” because “[b]usiness methods

this is software development.¹⁵⁹ Given the intangible nature of software, it becomes extremely difficult to determine at what point any software has become functional enough that it is considered to embody all elements of the claimed inventions.¹⁶⁰ This has led to inconsistent results for the on-sale bar analysis based simply on the model of software development the patentee used rather than the actual stage of the invention.¹⁶¹

Also notable is the failure of the ready-for-patenting test to acknowledge that most inventions are developed by joint inventors.¹⁶² As it stands today, an invention may become ready for patenting without all of the joint inventors knowing about it—even when a transaction between those joint inventors is used to invoke the bar.¹⁶³

There are practical problems with the commercial-offer-for-sale prong as well. Commercial sales in today's business world are rarely public knowledge. Realistically, most offers for sale are made behind closed doors by sales and marketing people at large corporations. At times, the inventor is not even consciously aware that an offer has been made.¹⁶⁴ Even when inventors are involved in customer interactions, there is a likelihood that an offer can be made inadvertently in the process of pitching the invention to potential consumers.¹⁶⁵

... may satisfy the 'ready for patenting' condition much earlier in the development process").

159. See Chelini, *supra* note 54, at 297–99 (explaining how the ready-for-patenting test is simply not fit for application to software patents).

160. See *id.* (explaining that, regardless of what software development process is used, it is not easy to interpret the reduction to practice required by *Pfaff*); see also KENNETH NICHOLS, *INVENTING SOFTWARE: THE RISE OF "COMPUTER-RELATED" PATENTS* 125 (1998) (acknowledging that software life cycles are shorter than for other patentable products).

161. See Chelini, *supra* note 54, at 299–307 (using four cases to demonstrate the lack of understanding of complex software development models on the part of the Federal Circuit, thereby resulting in unfair and inconsistent results).

162. See *Weatherchem Corp. v. J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998) (denying an exception to the on-sale bar when the invention arose from a development project between two inventors exchanging information over several years); see also *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 182 F.3d 888, 890 (Fed. Cir. 1999) (invoking the bar even though inventors from both corporations involved in the 'sale' were named on the patent); *Buildex Inc. v. Kason Indus., Inc.*, 849 F.2d 1461, 1465 (Fed. Cir. 1988) (noting the court has "never recognized a 'joint development' exception to the 'on sale' bar").

163. See *Lockwood, supra* note 150, at 414–15 (arguing for the need for a joint development exception because knowledge sharing coupled with specialization is critical in innovation of complex products).

164. *Id.* at 411 (suggesting because of hectic work conditions companies may lose sight of conditions that trigger an on-sale bar under *Pfaff*).

165. *Id.* (warning large companies to be on "constant guard for conditions that trigger an on-sale bar").

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Given the Federal Circuit holding in *Lacks*,¹⁶⁶ the mere advertising and promoting of a product, which would traditionally be nothing more than an invitation for offers,¹⁶⁷ could still become offers for sale.¹⁶⁸

Another problem with the commercial-offer-for-sale prong is its application in cases of licensing of inventions by the patentee.¹⁶⁹ The on-sale bar has long been understood to mean that any patent license, assignment, or sale of rights in the invention and potential patent rights is not a sale of the invention within the meaning of section 102(b).¹⁷⁰ The Federal Circuit's ruling, however, in *Minton v. National Association of Securities Dealers, Inc.* has drastically changed this long-established proposition.¹⁷¹ In *Minton*, the Federal Circuit held that the lease and licensing of a computer program capable of practicing a later-claimed method patent satisfied the on-sale bar.¹⁷² Since that decision, it is unclear whether the sale or lease of an embodiment of a process patent triggers the on-sale bar or if merely licensing to practice a patented process suffices.¹⁷³ This problem is magnified in cases of software process patents, in which the licensing of software is often done at early stages of

166. *Lacks Indus., Inc. v. McKechnie Vehicle Components USA, Inc.*, 322 F.3d 1335, 1348 (Fed. Cir. 2003).

167. See FARNSWORTH, *supra* note 131, § 3.3 (defining "offer"); 1 JOSEPH M. PERILLO, CORBIN ON CONTRACTS § 2.3 (1993) (differentiating an offer from an invitation for an offer).

168. See *supra* Part V.B (discussing how the *Lacks* decision has added trade usage to the interpretation of a commercial offer for sale).

169. See *In re Kollar*, 286 F.3d 1326, 1334 (Fed. Cir. 2002) (observing that not holding licensing agreements as sales "further[s] the objective of making inventions available to the public" by allowing "inventors to place their inventions into the hands of parties that are in a better position to commercialize the invention" without fear of triggering the on-sale bar).

170. See *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1052–53 (Fed. Cir. 2001) (Lourie, J., concurring) (noting that the invention of the patent is not on sale when the license is executed and that "if a license were equivalent to a sale for purposes of the on-sale bar, many patents would be invalidated long before the invention itself is put on sale"); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1267 (Fed. Cir. 1986) ("The few cases we have on this issue have uniformly held that such a sale of patent rights does not come within the section 102(b) bar.").

171. *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1378 (Fed. Cir. 2003) (distinguishing the transfer of "know-how" in *Kollar* from the lease of "a fully operational computer program" in *Minton*).

172. *Id.* at 1378. *But see In re Kollar*, 286 F.3d at 1332 (holding that an offer of a license to practice a later claimed process along with the transfer of "know-how" to practice the later claimed process did not trigger the on-sale bar).

173. See *Albert*, *supra* note 42, at 104 (arguing that the two conflicting decisions from the Federal Circuit have made "[t]he application of the on sale bar to licensing . . . increasingly murky").

software development and testing.¹⁷⁴ Commentators suggest that to achieve simplicity all license agreements should trigger the on-sale bar, except in cases where there is a complete transfer of patent rights.¹⁷⁵

Another practical problem with *Pfaff* is its application to experimental use. Today's inventions are complex and need extensive testing before the inventor can validate whether it is a real innovation. Not only has *Pfaff* limited the time allowed for experimentation, it has cast doubt on any agreement the inventor may undertake to get her invention validated.¹⁷⁶ Further, most modern inventions today are designed by the inventor but are fabricated by third parties.¹⁷⁷ It is unclear if such agreements to manufacture the embodying product for validation purposes fall under the experimental use doctrine.¹⁷⁸

Clearly, the understanding of the on-sale bar as it stands today does not help inventors decide if they can delay their filing while they market their invention; it simply promotes a culture of early filing, thereby failing to advance any of the policy motivations behind the on-sale bar.¹⁷⁹ The understanding of the on-sale bar is just one of many problems that plague our antiquated patent system today. Patent reform legislation presently pending in Congress aims at wholesale reform of the patent laws and, in the process, may ameliorate some of the practical problems posed by the on-sale bar.

174. Cf. NICHOLS, *supra* note 160, at 121–131 (attempting to provide a clear set of legal rules for software); GREGORY A. STOBBS, SOFTWARE PATENTS 622–33 (2d ed. 2000) (walking software developers through developing a beta test program that avoids the on-sale bar); Chelini, *supra* note 54, at 310 (advising software method patent inventors to be “extremely careful . . . when entering into license or test agreements”).

175. See Albert, *supra* note 42, at 105–07 (arguing that treating a license as a sale would be more faithful to the principles of the on-sale bar, preventing detrimental reliance by other inventors and also incentivizing prompt disclosure by the patentee). Cf. Jason Smith, Note, *The Interaction of the 35 U.S.C. § 102(b) On-Sale Bar and IP Licensing: Differentiating Licenses from Commercial Sales*, 11 J. TECH. L. & POL'Y 313, 338–39 (2006) (proposing a set of rules and tests that can help determine when licensing of a patent should invoke the on-sale bar).

176. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67–68 (1998) (holding that the inventor's agreement with the manufacturer to produce the invention invoked the “ready for patenting prong” of the on-sale bar, despite the lack of a prototype).

177. See, e.g., *Pfaff*, 525 U.S. at 58 (noting that the third-party manufacturer “took several months to develop the customized tooling necessary to produce the [invention]”).

178. *Atlanta Attachment Co. v. Leggett & Platt, Inc.*, No. 2007-1188, 2008 WL 450568, at *8 (Fed. Cir. Feb. 21, 2008) (Prost, J., concurring) (“When the inventor conducts a commercial transaction in order to facilitate development, but the development activity meets the requirements of the experimental use doctrine, the inventor avoids the on-sale bar”).

179. See *supra* Part II.C (detailing the policies that drove Congress to enact section 102(b)).

VI. IMPACT OF THE PATENT REFORM ACT OF 2007 ON THE ON-SALE BAR

After years of pleading by the industry to update patent laws in the United States and to bring them in line with the changing nature of inventions, especially in the high-tech industry, Congress finally took action.¹⁸⁰ The Patent Reform Act of 2007 proposes comprehensive reform to U.S. patent laws and procedures.¹⁸¹ It aims to change some of the most fundamental aspects of patent law, including enactment of a first-inventor-to-file policy for the grant of patents.¹⁸² If passed, this legislation may reduce the instances in which the on-sale bar can be invoked in cases of commercial offers for sale.¹⁸³ Another proposal in the Patent Reform Act is to limit the window for post-grant opposition of an issued patent to twelve months from issuance, allowing documents and declarations as evidence, opening all grounds of invalidity, including the on-sale bar.¹⁸⁴ This amendment may restrict the ability of competitors to use the on-sale bar against a

180. See Michelle Kessler, *Pressure Mounts for Reform of Patent System*, USA TODAY, May 2, 2005, at B1 (noting lobbying efforts made to change the patent laws); see also JAFFE & LERNER, *supra* note 18, at 159–60 (discussing the barriers that exist to patent reform in spite of known fundamental flaws in the system); Brendon Chase, *IBM Calls for Patent Reform*, ZDNET AUSTRALIA, Apr. 11, 2005, http://www.zdnet.com.au/news/soa/IBM_calls_for_patent_reform/0,139023165,139187609,00.htm.

181. Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007) (proposing amendments to current patent laws); Patent Reform Act of 2007, S. 1145, 110th Cong. (2007) (same); see also Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. MARSHALL REV. INTELL. PROP. L. 336, 348 (2005) (“In the 215 year history of the United States patent system, Congress has rarely purported to ‘reform’ the system.”); Christopher A. Harkins, *Fending Off Paper Patents and Patent Trolls: A Novel “Cold Fusion” Defense Because Changing Times Demand It*, 17 ALB. L.J. SCI. & TECH. 407, 422 (2007) (“If signed into law, the legislation would bring the biggest, most sweeping changes to U.S. patent law in over 50 years.”); Anne Broache, *Congress Takes New Stab at Patent System Overhaul*, NEWS.COM, Apr. 19, 2006, http://www.news.com/Congress-takes-new-stab-at-patent-system-overhaul/2100-1028_3-6177376.html; John R. Thomas & Wendy H. Schacht, *Patent Reform in the 110th Congress: Innovation Issues*, CRS Rep. for Cong., May 7, 2007, at 2 (providing an overview of the current patent reform issues being deliberated by Congress).

182. Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 3 (2007); see also Chisum, *supra* note 181, at 336 (explaining that the proposals such as the one to switch from a “first-to-invent” priority principle to a “first-to-file” priority principle have indeed been around for a long time); Ryan K. Dickey, Note, *The First-To-Invent Patent Priority System: An Embarrassment to the International Community*, 24 B.U. INT’L L.J. 283, 293 (2006) (“[T]he Reform Act effectively abandons the first-to-invent priority system that has existed in the United States since the days of Thomas Jefferson.”).

183. See JAFFE & LERNER, *supra* note 18, at 165 (proposing that discussing how “a ‘first-to-file’ system would encourage inventors to file and hence disclose inventions in a timely manner,” and thereby reduce their risk of other statutory bars such as the on-sale bar).

184. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 6 (2007) (limiting opposition filing period to twelve months after the issuance of the patent).

patentee who has engaged in the secret sale of her inventions, thereby reducing litigation based on the statutory bar.¹⁸⁵

However, the proposed legislation drastically shrinks the rights of the patentee under the on-sale bar. First, it removes any geographical limitation from the statute.¹⁸⁶ This amendment seemingly extends the on-sale bar to cover offers for sale made outside the United States. Adding to this, the proposed legislation deprives the patentee of her grace period in instances where she was not the source of the disclosure resulting from the sale.¹⁸⁷ The combination of these two proposals indicates that an inventor could be barred from obtaining a patent based simply upon a secret sale of her invention in the most remote parts of the world even if she had no involvement in the secret sale. By broadening the scope of the on-sale bar, the proposed legislation can only increase and complicate disputes involving complex fact situations of offers for sale from around the world.

The success of the proposed legislation and its impact on disputes over the application of the on-sale bar is still unclear.¹⁸⁸ Confusion remains, however, regarding the on-sale bar analysis in cases where the statutory bar applies.¹⁸⁹ In fairness to today's inventors, there is a need for us to alter our approach towards the application of this antiquated law.¹⁹⁰

185. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 6 (2007) (barring any oppositions filed after the window and thereby limiting the infringer's ability to claim invalidity of patents by invoking any of the statutory bars after the post-grant opposition period).

186. Specifically, the Patent Reform Act completely removes the prior art category for "in public use or on sale in this country," from section 102. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 3 (2007) (proposing the change to 35 U.S.C. § 102).

187. See Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 3 (2007) (denying the grace period for all offers to sell, other than those "made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor").

188. See Harkins, *supra* note 181, at 423 ("[T]he Patent Reform Act of 2007 is hitting some snags and may not pass without amendments."); James G. McEwen, *Is the Cure Worse than the Disease? An Overview of the Patent Reform Act of 2005*, 5 J. MARSHALL REV. INTELL. PROP. L. 55, 59–60 (2005) (pointing out the pitfalls created by various proposals of a similar proposed reform that died in Congress not so long ago); Letter from Nathaniel F. Wienecke, Assistant Secretary of Commerce for Legislative and Intergovernmental Affairs, to Patrick J. Leahy, Chairman of the Committee on the Judiciary (Feb. 4, 2008), available at <http://www.ogc.doc.gov/ogc/legreg/letters/110/S1145020408.pdf> (informing the committee that the administration "will continue to strongly oppose this legislation in its current form").

189. See McEwen, *supra* note 188, at 62–63 (stating the lack of clarity on what constitutes an "offer for sale" as one of the "potential pitfalls" of the formerly proposed law that would likely result in uncertainty and litigation with the passage of the similar and newly proposed legislation).

190. See Peter N. Detkin, *Leveling The Patent Playing Field*, 6 J. MARSHALL REV. INTELL. PROP. L. 636, 637 (2007) (arguing that to provide a truly robust solution to problems plaguing our patent law, mere "tweaking the rules is not enough; we need to

VII. PROPOSAL FOR EMPHASIS ON PUBLIC KNOWLEDGE

An analysis of the on-sale bar should not focus on the prongs articulated in *Pfaff* but on the amount of public disclosure emanating from the offer. The above analysis shows the immense confusion about both prongs of the *Pfaff* test.¹⁹¹ The confusion is mainly caused by the focus on the state of invention and the methodology for defining when an offer occurred.¹⁹² If we shift the focus to something more visible to the public, courts will have an easier time determining if the bar should apply.

The Supreme Court should create a test that includes a factor based on the amount of public knowledge resulting from the offer to sell the invention. Two requirements should invoke the on-sale bar: (1) the patentee makes an offer for sale; and (2) the patentee is aware that the public would know about the invention as a result of this offer. This revised test would automatically apply the on-sale bar when the inventor made the sale publicly. Also, this standard clearly prevents secret sales from invoking the bar.

The amount of knowledge available to the public resulting from the invention's commercial offer for sale would be an important consideration in this test. The bar should only apply if the amount of public knowledge allows a person skilled in the field to reduce the invention to practice or develop a similar invention with little effort or experimentation.¹⁹³ In most cases, this knowledge would be minimal, so the bar would not apply.¹⁹⁴ As a result, this proposed test reduces instances in which an infringer could claim invalidity of the patent based singularly on an offer for sale.¹⁹⁵ Conversely, when it does apply, the burden of

change the nature of the game altogether”).

191. See *supra* Parts V.A and V.B.

192. See SCHECHTER & THOMAS, *supra* note 18, at 96–97 (arguing that the current law defeats the policy goals of the on-sale bar because it fails to take into account broader circumstances under which an invention can be injected into the public domain).

193. The public knowledge standard may be similar to the one used for determination of novelty bars under 35 U.S.C. 102 (a). See *Gillman v. Stern*, 114 F.2d 28, 31 (2d Cir. 1940) (Hand, J.) (denying 102(a) bar for non-informing uses); *Levi Strauss & Co. v. Golden Trade, S.r.L.*, No. 92 Civ. 1667 (RPP), 1995 WL 710822, at *17 (S.D.N.Y. 1995) (setting a 102(a) knowledge standard whereby “the challenger must show *public* knowledge or use, where the ‘public’ means those skilled in the art”) (internal citation omitted). This notion of fairness is apparent in the analysis of the 102(b) public use bar. See, e.g., *W.L. Gore & Assocs. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983) (denying the 102(b) public-use bar where the details of an inventive process were not ascertainable from the product sold).

194. See Lockwood, *supra* note 150, at 408–09 (citing *Pfaff* to make a point that in most cases there is limited public knowledge resulting from the sale).

195. See JAFFE & LERNER, *supra* note 18, at 176–77 (arguing that infringers are less

proving that there was public knowledge resulting from the offer to sell would be much easier to accomplish, thereby reducing the amount of litigation.¹⁹⁶

The current state of the law unnecessarily restricts inventors without advancing the policy concerns of the on-sale bar as expressed in *Pfaff*.¹⁹⁷ An on-sale bar analysis that includes public awareness of the sale would better promote these policy concerns.

The first policy concern—protecting the public interest in retaining knowledge already in the public domain—is most likely not affected by adding a public knowledge factor to the on-sale bar analysis. As commentators have noted, most offers do not give the public access to the invention.¹⁹⁸ In *Pfaff*, the inventor was completing the design and had not manufactured the product when the offer took place.¹⁹⁹ To cite more examples, in both *Linear Technology* and *Lacks*, the offers for sale took place while the inventions were in the development stage and were simply being marketed to potential customers, who were not the general public but manufacturers of the product.²⁰⁰ Therefore, when an inventor has not fully developed her invention, it would be reasonable to believe the invention is not already in the public domain.²⁰¹

The second policy concern—encouraging prompt and widespread disclosure of new inventions to the public—is not negatively impacted by adding a public knowledge factor to the on-sale bar analysis. It would appear that if the on-sale bar is less likely to apply to secret offers for commercial sale, inventors would be more likely to keep such offers secret. Practically, however, this should not be a problem—an inventor profits from her invention by making it public and thereby selling or licensing

likely to litigate on issues involving less uncertainty, wherein the chances of the patentee prevailing are high).

196. *Id.*

197. *See Pfaff v. Wells Elecs.*, 525 U.S. 55, 65 (Fed. Cir. 1998) (discussing the need to balance the two important policies underlying the on-sale bar: “protect[ing] the public’s right to retain knowledge already in the public domain and the inventor’s right to control whether and when he may patent his invention”). *But see* SCHECHTER & THOMAS, *supra* note 18, at 96–97 (arguing that *Pfaff* actually encourages inventors to skirt policies of the on-sale bar).

198. *Sweeney & Sanders*, *supra* note 3, at 171.

199. *Pfaff*, 525 U.S. at 58.

200. *Lacks Indus., Inc. v. McKechnie Vehicle Components USA, Inc.*, 322 F.3d 1335, 1348 (Fed. Cir. 2003); *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1043–44 (Fed. Cir. 2001).

201. *See Lockwood*, *supra* note 150, at 412 (arguing that it’s actually *Pfaff* that forces incomplete inventions into the public domain).

it to as many buyers as possible.²⁰² So any negative impact on this policy concern would be very limited.

Additionally, the on-sale bar, as it stands, does not really further this policy consideration. Requiring inventors to file their patent applications within one year often causes inventors to prematurely file applications before the invention is fully developed.²⁰³ Considering the loose understanding of how the bar is applied, the invention may be at a very nascent stage when the inventor realizes that she has inadvertently invoked the bar.²⁰⁴ Any resulting premature filing of the patent application gives the public access only to a limited and incomplete disclosure. Thus, the application of the on-sale bar in its current understanding works against this policy interest.²⁰⁵ If instead the invocation of the bar is based on public knowledge resulting from the offer, the inventor would have more control over her patent application and would be able to better disclose a more complete specification of the invention that would allow one skilled in the art to reproduce the invention.²⁰⁶

The third policy concern—preventing inventors from commercially exploiting the exclusivity afforded by the patent beyond the statutorily prescribed period—may be affected by the new proposal. By keeping offers for sale secret, the patentee could illegally enjoy a monopoly over commercialization of her invention for an extended period.²⁰⁷ This concern misses the point. The objective of this policy interest is to prevent detrimental reliance by competitors and to encourage competition in commercializing any unpatented invention.²⁰⁸ If there is no public knowledge of the offer, competitors will not be aware of the invention—so, this concern is moot. Also, there are practical limitations on the time the inventor

202. See, e.g., HARK CHAN, PATENT LAW AND INVENTION SELECTION STRATEGY: A PRACTICAL GUIDE FOR MANAGERS AND PRODUCT DEVELOPERS 3 (2006) (reporting that a single inventor, Jerome Lemelson, has licensed his inventions to many large companies for over a billion dollars).

203. See Daniel J. Whitman, Note, *The “On-Sale” Bar to Patentability: Actual Reduction to Practice Not Required in Pfaff v. Wells Electronics, Inc.*, 32 AKRON L. REV. 397, 416 (1999) (explaining that *Pfaff* “prevents an inventor from commercially exploiting the exclusivity of his invention”).

204. *Id.*

205. See Lockwood, *supra* note 150, at 412 (noting that when inventors are hurried into filing the public gets incomprehensible and insignificant innovations).

206. See 37 C.F.R. § 1.56 (2007) (mandating a duty to disclose any information material to patentability of the invention).

207. See Allen, *supra* note 4, at 146 (opining that courts have incorrectly emphasized this concern too heavily).

208. See SCHECHTER & THOMAS, *supra* note 18, at 96–97 (noting the current test already encourages inventors to skirt the bar by engaging in activities that fall just short of a formal offer).

can exploit an invention without actually bringing it in public.²⁰⁹ An inventor cannot make a meaningful profit until the product is delivered to consumers, at which time the on-sale bar will come into force.²¹⁰ Moreover, the time gained by failing to file for a patent is offset by the risk of losing rights to other parties who may also be independently developing similar inventions.²¹¹ With the first-inventor-to-file policy already proposed, failure to file the patent at an early stage will not be in the inventor's best interest. Once a patent is filed, the clock on the patentee's period of exclusivity starts ticking regardless of when the patent is issued.²¹²

The final policy consideration—affording the inventor a reasonable amount of time after initial sales activity to determine the worthiness of the patent—is implicated by this proposal. This policy interest was arguably the main thrust behind the Court's decision to discard the “substantially complete” and “totality of the circumstances” tests.²¹³ In fact, the need for an inventor to have more control over filing the patent was the Court's basis for making the commercial-offer-for-sale prong a requirement of the on-sale bar.²¹⁴ Recognizing the importance of certainty, the Court noted that Congress allowed a grace period in the statute “to fix a period of limitation which [is] certain.”²¹⁵

The use of public knowledge in the on-sale bar analysis would add certainty to the determination of the patent filing

209. See Allen, *supra* note 4, at 146 (observing that the invention is not capable of being exploited unless it is being used); see also Peter J. Newman, *Technology Transfer: Patent Licensing and Related Strategies*, in PATENT LAW FOR SCIENTISTS AND ENGINEERS 241 (Avery N. Goldstein ed., 2005) (advising inventors to maximize profits from the patent through early licensing of the technology).

210. See CHAN, *supra* note 202, at 6–7 (proposing a “return on investment” approach to managers involved in invention selection, advising the selection of consumer product patents that provide the highest return on investment, thereby increasing the expected value of the patent portfolios of their companies).

211. See 35 U.S.C. § 102(g) (2000) (explaining how interferences between inventors are resolved, “[i]n determining priority of invention . . . there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive”); see also 37 C.F.R. § 1.601(m) (2004) (noting that the senior party is the party with earliest effective filing date).

212. See 35 U.S.C. § 154 (2000) (defining the patent term as twenty years from the earliest claimed filing); see also PATENT MANUAL, *supra* note 31, § 2701 (defining patent term); Symbol Techs. v. Lemelson Med., 277 F.3d 1361, 1363–65 (Fed. Cir. 2002) (denying patent applicants the ability to file and intentionally delay issue of patents while they wait for an opportunity to license the invention).

213. See *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65–66 & n.11 (1998) (“A rule that makes the timeliness of an application depend on the date when an invention is ‘substantially complete’ seriously undermines the interest in certainty.”).

214. See *Pfaff*, 525 U.S. at 67 (“An inventor can both understand and control the timing of the first commercial marketing of his invention.”).

215. *Id.* at 65 (quoting *Andrews v. Hovey*, 123 U.S. 267, 274 (1887)).

deadline. Inventors could clearly identify the critical date because they will know if their sale has resulted in any public knowledge.²¹⁶ Arguments about what exactly constitutes a commercial offer for sale will have less significance if the focus is on determining whether the public is aware of such an offer.²¹⁷ The greater the amount of publicity given to the sale itself, the more likely the on-sale bar would apply.²¹⁸ Moreover, focusing on public knowledge will diminish the need to determine whether conception or embodiment of the invention already existed and will diminish the need to probe into the ready-for-patenting status. For instance, if the inventor made a publicly open sale of her invention, such a sale would be found to be per se applicable for on-sale bar purposes. Therefore, including public knowledge in the on-sale bar analysis furthers the broad goal of *Pfaff*: bringing certainty and predictability to on-sale bar determinations. It will also create a standard that supports the policy of protecting the inventor's right to control whether and when she may patent her invention.

There are further justifications for considering public knowledge in the analysis of the on-sale bar. One view is that the statute imposing the on-sale bar should be read in conjunction with the other actions that bar a valid patent claim; for example, a patent cannot issue when an invention is previously patented, published, or in public use.²¹⁹ All of these actions place the invention within the public domain.²²⁰ Analogously, the on-sale clause should apply only to those actions that render the invention into public knowledge.

Lastly, U.S. patent law is unique in its application of an on-sale bar.²²¹ The patent laws of most other countries provide that an invention is barred only by a prior public divulgence of the

216. See Allen, *supra* note 4, at 147 (arguing that inventors will have more guidance on when to file if they know what activity will invoke the bar).

217. See, e.g., *In re Caveney*, 761 F.2d 671, 675–76 (Fed. Cir. 1985) (analyzing in detail the facts relating to an offer for sale in order to reject patentee's argument that sales activity kept secret from the trade is not a bar under 35 U.S.C. § 102(b)); *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 182 F.3d 888, 890 (Fed. Cir. 1999) (citing *In re Caveney*, 761 F.2d at 676).

218. See Lockwood, *supra* note 150, at 408–09 (arguing that when there is no existing public knowledge about the product, the bar should not apply).

219. 35 U.S.C. § 102 (2000). The statute reads, “[T]he invention was patented or described in a printed publication . . . or in public use or on sale in this country.” 35 U.S.C. § 102(b) (2000).

220. 35 U.S.C. § 102(b) (2000).

221. See JAFFE & LERNER, *supra* note 18, at 163 (“The American patent system turned its back on the way the rest of the world operates in the very earliest days of the nation's history.”).

invention, rather than an offer for sale.²²² Therefore, an offer for sale, in and of itself, would not bar patentability in other countries because an offer to sell does not necessarily divulge any inventions in the product.²²³ By basing its analysis of the on-sale bar on the release of information to the public, the Court would bring U.S. patent law a little more in line with patent laws across the globe.²²⁴

VIII. CONCLUSION

A trend in recent Supreme Court patent law decisions has been to protect the rights of genuine inventors and to discourage abuse of the patent system.²²⁵ Although the goal of *Pfaff* was similar—to provide more certainty to inventors—subsequent lower court decisions have made the application of the statutory bar more confusing.²²⁶ The Supreme Court has not had an opportunity to hear a case involving the on-sale bar in recent years.²²⁷ While there is proposed legislation in Congress that may help reduce the use of the on-sale bar by infringers trying to invalidate existing patents, that legislation also broadens the

222. See IAN MUIR, MATTHIAS BRANDI-DOHRN, STEPHAN GRUBER, *EUROPEAN PATENT LAW: LAW AND PROCEDURE UNDER THE EPC AND PCT* 177, 181–82 (2d ed. 2003) (denoting that public knowledge bars inventions under the provisions of the European Patent Convention); see also John Gladstone Mills III, *A Transnational Patent Convention for the Acquisition and Enforcement of International Patent Rights*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 958, 961–62 (2006) (noting that while the Patent Cooperation Treaty allows inventors to transfer patent applications between signatory countries and to maintain priority dates, it does not impose uniform law or prevent conflicting outcomes in patent cases).

223. See Brian M. Hoffman, *Watch out for Statutory Bars—Don't Lose Your Patent Rights Before You Even File the Application*, 2005, http://www.fenwick.com/docstore/Publications/IP/Statutory_Bars_Patent_Rights.pdf (“Most countries other than the United States do not allow a one-year grace period. These countries have an absolute novelty requirement . . .”).

224. See Toshiko Takenaka, *Rethinking the United States First-to-Invent Principle from a Comparative Law Perspective: A Proposal to Restructure § 102 Novelty and Priority Provisions*, 39 HOUS. L. REV. 621, 630 (2002) (arguing a need exists to bring U.S. patent law in line with global patent laws); cf. SCHECHTER & THOMAS, *supra* note 18, at 97 (suggesting the law as it stands actually disadvantages U.S. inventors).

225. See, e.g., *Medimmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 777 (2007) (holding that patent licensees are allowed, without breaching the license, to contest the underlying patent as invalid and unenforceable); *EBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1840 (2006) (disallowing automatic awards of preliminary injunctions to patent holders and thereby discouraging patent trolls who do not practice their patents).

226. See SCHECHTER & THOMAS, *supra* note 18, at 96 (noting that subsequent decisions have only “fallen prone to a common failing of bright-line rules: promoting strategic behavior that extends just to the limit of the rule”).

227. See John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 780–81 (2003) (noting that the on-sale bar does not rank high on the list of issues most in need of the Court's opinion).

scope of the on-sale bar by removing geographic limitations.²²⁸ Adding a public-knowledge component to the analysis of the on-sale bar would add a subjective component to what courts have attempted to make a very objective test.²²⁹ A public knowledge-based bar will give inventors clarity about when the critical date sets in. Simplification of the understanding of the on-sale bar will force inventors to file patents as soon as, and only when, the invention becomes public domain, thereby allowing inventors to focus more on the creative aspect of the inventive process while also reducing backlogs in the USPTO. Such simplification will also lead to less litigation because defendants will be more inclined to settle. Thus, Congress's motivation in enacting the on-sale bar—balancing inventors' rights with the public interest—will be realized in practice for the first time in the history of the statute.

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228. *Supra* notes 184–84 and accompanying text.

229. *See supra* Part VII; *see also* Thomas, *supra* note 227, at 781 (claiming the Supreme Court has used the *Pfaff* decision to send the signal that the on-sale bar analysis should be an objective analysis).