

**PROMPT FILING OF A PATENT APPLICATION CAN REDUCE  
THE RISK OF PATENT INVALIDITY UNDER THE “ON-SALE” BAR**

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**1. INTRODUCTION**

Under §102(b) of the U.S. Patent Act, a person may not obtain a U.S. patent for an invention if that invention was “on sale” in the U.S. more than one year before the filing of a patent application.

This so-called “on sale” bar to obtaining a patent is intended to promote several policies, including: (1) discouraging the removal, from the public domain, of inventions that the public reasonably has come to believe are freely available; (2) favoring the prompt and widespread disclosure of inventions; (3) allowing the inventor a reasonable amount of time following sales activity to determine the potential economic value of a patent; and (4) prohibiting the inventor from commercially exploiting the invention for a period greater than the statutorily prescribed time.

A recent decision by the U.S. Supreme Court in the case of Pfaff v. Wells Electronics, Inc.<sup>1</sup> provides a new and important test for determining when, and under what circumstances, an invention will be deemed to be on sale under §102(b). The detailed analysis of the Pfaff decision which follows provides some useful insights into the on sale bar of U.S. patent law which should be of assistance in evaluating the validity of a U.S.

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<sup>1</sup>67 U.S.L.W. 4009 (1998).

patent under 35 U.S.C. §102(b).

**2. THE ON SALE BAR MAY APPLY WHEN THE INVENTION  
IS “READY FOR PATENTING”**

**2a. The Invention**

The subject patent in the Pfaff case was directed to a socket device for mounting and removing semiconductor chip carriers.<sup>2</sup> The patent was granted based upon a U.S. patent application filed on April 19, 1982. Consequently, the critical date for the purpose of the §102(b) on-sale bar was April 19, 1981.

In November 1980 a customer had asked the patentee to develop a new socket for use in mounting and removing semiconductor chip carriers. In response to this request, the patentee prepared detailed engineering drawings that described the design, the dimensions, and the materials to be used in making a new socket device. In February or March 1981 the patentee sent these drawings to a socket manufacturer.

Prior to March 17, 1981, the patentee showed a sketch of the concept to the customer. On April 8, 1981, the customer provided the patentee with a written confirmation of a previously placed verbal purchase order for 30,100 of the new sockets for a total price of \$91,155. In accordance with his normal practice, the patentee did not make and test a prototype of the new socket before offering to sell the socket in commercial quantities.

The socket manufacturer took several months to develop the customized equipment necessary to produce the socket. The patentee did not reduce the invention to practice

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<sup>2</sup>U.S. Patent No. 4,491,377.

until the summer of 1981 (less than one year prior to the April 1982 patent application filing date), and the patentee did not fill the customer's order until July 1981.

**2b. The Trial and the Appeal**

After the patent issued, the patentee brought an infringement action against a competing socket producer, alleging infringement of six of the patent claims.

The trial court concluded that four of the patent claims were valid, and that three of the valid claims were infringed. The trial court rejected the "on-sale" bar defense raised by the alleged infringer, because the patent application had been filed less than one year after the invention was first reduced to practice.

On appeal to the Court of Appeals for the Federal Circuit ("the CAFC"),<sup>3</sup> all six of the asserted patent claims were found invalid.<sup>4</sup> The CAFC found that four of the six claims defined a socket that was identical to the socket which the patentee had sold to its customer prior to April 8, 1981. Because the socket defined by these four claims had been offered for sale on a commercial basis more than one year before the patent application filing date, the CAFC concluded that the four claims were invalid under §102(b). The CAFC concluded that the on-sale bar applied, even though the invention had not been reduced to practice more than one year before the patent application filing date, because the invention was "substantially complete" at the time of the sale.

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<sup>3</sup>By law, the decisions of the U.S. Court of Appeals for the Federal Circuit are controlling in all U.S. patent disputes. See 28 U.S.C. §1295(a). The U.S. Court of Appeals for the Federal Circuit (also referred to as the "Federal Circuit," "Fed. Cir." or "CAFC") is therefore generally recognized as being the most important U.S. court regarding patent law issues.

The other two patent claims defined a socket having a feature that had not been included in the patentee's initial design. With respect to these two claims, the issue was whether the claims defined a non-obvious (and therefore patentable) advance over the prior art. The CAFC concluded that the answer to this question was “no,” these two claims did not define a patentable advance over the prior art, primarily because the prior art included the subject matter defined by the four patent claims found invalid under §102(b). The CAFC concluded that the two remaining claims were not valid under §103 because they defined a socket that was merely an obvious modification of the prior art. The patentee asked the U.S. Supreme Court to review the CAFC’s decision.

### **2c. The Supreme Court Decision**

In explaining its decision to accept the Pfaff case for review, the U.S. Supreme Court noted that the text of §102(b) makes no reference to “substantial completion” of an invention. In fact, some U.S. courts have held that the on sale bar of §102(b) cannot apply unless and until the invention has been reduced to practice. The Supreme Court therefore decided to review the Pfaff case to determine whether the on sale bar may be applied to an invention which has been commercially marketed but which has not yet been reduced to practice.

The Supreme Court began its analysis by observing that the primary meaning of the word “invention” in the Patent Act refers to the inventor's conception, rather than to a physical embodiment of the inventor’s conception. The patent statute does not contain any

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<sup>4</sup>Pfaff v. Wells Electronics, Inc., 124 F.3d 1429, 43 USPQ2d 1928 (Fed. Cir. 1997).

explicit requirement that an invention must be reduced to practice before it can be patented. The phrase “reduction to practice” does not appear in the statutory definition of the word “invention,” and the phrase “reduction to practice” does not appear as one of the basic conditions for obtaining a patent. Instead, the phrase “reduction to practice” appears only in §102(g), a subsection of the patent statute which expresses the standard for resolving priority disputes between two competing claimants to a patent. That subsection provides that the right to a patent is normally established by the first inventor to conceive the invention, rather than by the first inventor to reduce the invention to practice.

The Supreme Court further noted that an invention may be patented before it is reduced to practice. In other words, an inventor may obtain a patent without providing a working model of the invention. Instead, the inventor essentially needs only to provide a written description of the invention, and of the manner and process of making and using the invention, in terms that are sufficiently clear that a skilled person could make and use the invention.

It was evident to the Supreme Court that the patentee in Pfaff could have obtained a patent on the socket at the point in time at which the patentee had accepted its customer’s purchase order for 30,100 units. At that time, the patentee had provided the manufacturer with a description and drawings of the invention that were sufficiently clear and precise to enable a skilled person to produce the invention. It was undisputed that the sockets manufactured to fill the purchase order embodied the invention defined by four of the patent claims. The Supreme Court therefore found no basis in the text of §102(b) or in the facts of the Pfaff case for concluding that the invention was not “on sale” within the

meaning of the statute until after it had been reduced to practice.

The patentee argued that both case authority and the strong interest in providing inventors with a clear rule for identifying the start of the 1-year on sale bar period justified a special, more narrow interpretation of the word “invention” used in §102(b). According to the patentee, an “invention” within the meaning of §102(b) must be interpreted as an invention that has been reduced to practice.

The Supreme Court rejected this argument, explaining that the U.S. patent system encourages inventors to create new and useful advances in technology and to publicly disclose those new and useful advances. In return, an inventor may secure an exclusive right to make, use and sell the invention for a limited period of time. The objective is to achieve an appropriate balance between the interest in motivating innovation and disclosure by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other.

Consistent with these objectives, the on-sale bar of §102(b) serves as a limiting provision. The on sale bar prohibits the patenting of ideas that are already in the public domain, and limits the duration of patent protection to a term that is defined by the patent statute.

The Supreme Court acknowledged that both the public and the inventor have an interest in perfecting and properly testing an invention before the invention is protected by a patent. The law therefore recognizes a distinction between the experimental use of an invention and the commercial sale of an invention. If an inventor’s delay in seeking patent protection is due to an honest effort to perfect the invention, or to determine whether the

invention will work for its intended purpose, then the inventor may conduct extensive testing (including public testing) without losing the right to obtain a patent for the invention.

However, any attempt to use the invention for profit (rather than for experiment) for a period of time longer than that permitted by statute will deprive the inventor of the right to a patent.

The Supreme Court also acknowledged that inventors should be provided with a definite rule for determining when a patent application must be filed to avoid the on-sale bar. Recently, the CAFC has used a rule which determines the applicability of the on-sale bar by evaluating the “totality of the circumstances.” Under this test, all of the circumstances surrounding a sale or offer to sell, including the nature of the invention and the stage of the invention’s development, are considered and weighed against the policies underlying §102(b). Under this test, the date on which a patent application must be filed to avoid the on-sale bar depends upon the date at which the invention is “substantially complete.”

The U.S. Supreme Court criticized this test because it lacked clear support in the text of the patent statute, and because it was unnecessarily vague. The Supreme Court emphasized that the word “invention” in §102(b) refers to a concept that is complete, not to a concept that is merely “substantially complete.” On the other hand, the Supreme Court was not convinced that a better test would be provided by measuring the timeliness of a patent application from the date on which the invention is first “reduced to practice.”

The Supreme Court explained that an invention’s reduction to practice usually provides the best evidence that the invention is complete. However, proof of reduction to

practice is not the only evidence of an invention's completeness, and not every case requires proof of reduction to practice in order to prove that the invention is complete. In other words, an invention may be complete (and ready for patenting) even though the invention has not been reduced to practice.<sup>5</sup>

The Supreme Court therefore established the following test for determining the applicability of the on sale bar. According to the Supreme Court, the on-sale bar applies when two conditions are satisfied before the critical date:

(1) The invention must be the subject of a commercial sale or sales offer, and;

(2) The invention must be "ready for patenting." The "ready for patenting" condition may be satisfied in at least two ways: (a) by proof that prior to the critical date the invention had been reduced to practice, or (b) by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.

In the Pfaff case the patentee's acceptance of the customer's purchase order prior to April 8, 1981, clearly demonstrated to the Supreme Court that a commercial offer for sale had been made. It was undisputed that this sale was commercial, not experimental.

The "ready for patenting" condition was satisfied because the claimed invention was

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<sup>5</sup>The Supreme Court acknowledged that, in several prior decisions, it had stated that an invention is not complete until the invention is reduced to practice. The Supreme Court explained that these statements should now be understood to mean that an invention's reduction to practice demonstrates that the inventor's concept is no longer at an experimental stage.

fully disclosed in the drawings which the patentee sent to the manufacturer before the critical date. This was demonstrated by the fact that the manufacturer was able to produce the patented socket, containing all of the elements of the claimed invention, using the patentee's detailed drawings and specifications. The evidence therefore established that the two requirements of the on sale bar had been met.

When the patentee accepted the purchase order for the new sockets prior to April 8, 1981, the invention was ready for patenting. The patent was therefore invalid, because the invention had been on sale in the U.S. more than one year before the filing of a patent application. Accordingly, the Supreme Court affirmed the judgment of the CAFC.

### **3. CONCLUSION**

Those attempting to obtain or enforce a U.S. patent, as well as those seeking to invalidate a U.S. patent under 35 U.S.C. §102(b), are well advised to study the Supreme Court's Pfaff decision and carefully consider the following guidelines:

(1) An invention may be "on sale" even if the invention has not been reduced to practice. The important question under §102(b) is not reduction to practice, but is instead whether the invention was "ready for patenting" at the time of the sale or the sales offer. A sale or an offer to sell an invention that is ready for patenting is sufficient to generate an on sale bar.

(2) The "ready for patenting" condition may be satisfied in at least two ways: (a) by proof that prior to the critical date the invention had been reduced to practice, or (b) by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.

(3) At the point in time at which an invention is ready for patenting, an inventor who desires to commercially exploit the invention must make a choice. The inventor must either (a) maintain the invention as a trade secret, or (b) proceed with the preparation and timely filing of a patent

application. An inventor who chooses neither option takes a substantial risk that any resulting patent for the invention will be found invalid under the on sale bar of §102(b).

(4) The risk that a patent will be found invalid under the on sale bar of §102(b) may be substantially reduced or completely eliminated by promptly filing a patent application after the first occurrence of any of the following three events: (1) the reduction to practice of the invention, (2) the commercial marketing of the invention, (3) the preparation of detailed drawings or other detailed descriptions of the invention.

(5) The on sale bar is not limited to a sale of, or an offer to sell, a product that anticipates the patented invention. If the product sold or offered for sale would have rendered the patented invention obvious by its addition to the prior art, then the “on sale” bar also applies. In effect, the product sold or offered for sale before the critical date becomes a prior art reference under 35 U.S.C. §103.

Consideration of the guidelines suggested by the U.S. Supreme Court in the Pfaff decision and expressed in this article should provide some useful insights into the requirements of the on sale bar of U.S. patent law.

## **BIOGRAPHY**

Alex Chartove practices in the Washington D.C. office of Akin, Gump, Strauss, Hauer & Feld LLP, a full-service international law firm with offices in the U.S. and Europe.

Mr. Chartove attended Brandeis University (BA, Physics, magna cum laude, 1976) and the Massachusetts Institute of Technology (Ph.D. Candidate). He received his JD degree in 1980 from Duke University Law School, and is a member of the Bars of California, New York and the District of Columbia. His practice is directed to the representation of client matters before the various federal tribunals and agencies located in Washington D.C., including the U.S. Patent and Trademark Office, the Court of Appeals for the Federal

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