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Supreme Court Rules The On-Sale Bar to Patentability Still Applies to Secret Sales

Prior to the enactment of the Leahy-Smith America Invents Act (AIA), an invention could become unpatentable in the U.S. if it was sold to a third party more than one year prior to the filing of a patent application. This is known as the "on-sale" bar to patentability, and the one year deadline to file is known as a "grace period". Pre-AIA, the on-sale bar not only applied to public sales but was also interpreted to apply to sales to third parties who were contractually obligated to keep the invention confidential, and to non-public commercial use of the invention. Therefore, signing a confidentiality agreement, or commercial use under confidential conditions, did not ensure the invention would remain patentable beyond the one year grace period.

The AIA was enacted in 2011 with the goal of bringing U.S. patent law into better harmony with the patent laws of other countries. Most foreign countries—including Europe, China, and many Latin American countries—do not have an on-sale bar, or a grace period, and instead operate under "absolute novelty". In these countries, only *public* disclosures are considered prior art. Accordingly, under absolute novelty, selling an invention under a confidentiality agreement, or using an invention for commercial purposes in a confidential manner, does not qualify as prior art or bar patentability.

The enactment of the AIA changed the statutory language defining the on-sale bar and left many inventors and litigators wondering whether the AIA applied the on-sale bar or absolute novelty when determining patentability in the U.S. Could a product that was sold under a confidentiality agreement, or a method used commercially but kept confidential, still be patentable under the AIA?

Prior to the AIA the on-sale bar read as follows:

> "A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or *on sale* in this country, more than one year prior to the date of the application for patent in the United States." 35 U. S. C. § 102(b) (emphasis added).

The current language of 35 U.S.C. § 102(a) reads as follows:

> "A person shall be entitled to a patent unless . . . the claimed invention was patented, described in a printed publication, or in public use, *on sale, or otherwise available to the public* before the effective filing date of the claimed invention." 35 U. S. C. §102(a)(1) (emphasis added).

Many patentees, litigators, and even some courts have interpreted Congress' addition of "or otherwise available to the public" to only bar patents for inventions that have been sold publicly (consistent with the absolute novelty requirements of most other countries). Considering the goals of the AIA to harmonize U.S. patent law

with its foreign counterparts, this is not a farfetched interpretation, and could have rendered many inventions that were previously unpatentable, patentable.

This issue was recently presented to the United States Supreme Court in Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc., No. 17-1229 (Jan. 22, 2019). In a unanimous decision, the Court held that Congress' inclusion of "or otherwise available to the public" did not change the on-sale bar in effect before the enactment of the AIA. Specifically, the Court stated that Congress' use of "or otherwise available to the public" functions merely as a catchall phrase and is not enough to overturn over 100 years of legal precedent. As such, a sale to a third party under a confidentiality agreement, or use of an invention commercially in a confidential manner, may still place the invention "on-sale" and bar patentability under 35 U.S.C. § 102(a), if a U.S. Patent Application is not filed within the statutory grace period.

As a result, it is important that patentees and inventors are diligent in filing patent applications early to avoid a potential trigger of the "on-sale" bar of 102(a).

Additional Information

If you would like more information regarding the recent Supreme Court decision, please contact a member of our Intellectual Property Group listed below. For more information concerning our intellectual property practice, please visit us at www.KutakRock.com.

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