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Prototype Sales May Trigger the On-Sale Bar

By William J. Fisher

Under US law, an applicant is barred from obtaining a patent if the invention was on-sale or in public use more than one year prior to the filing of a patent application.¹ However, an exception to this rule is available to an applicant that carries out “experimental use” of the invention. Such experimentation is intended to perfect the invention, but the applicant must distinguish between protected experimental use and unprotected testing to determine whether an invention is commercially acceptable to a potential purchaser.

Basis for Experimental Use Exception: *City of Elizabeth*

The law of experimental use was firmly established by the Supreme Court in *City of Elizabeth v. American Nicholson Pavement Co.*² Nicholson sued the City of Elizabeth, in New Jersey, for infringement of his paving patent. As one defense, the city alleged that the invention was in public use for six years before the patent application was filed. Nicholson had paved about 75 feet of a heavily used road for the purpose of testing the product under heavy use. He daily inspected the pavement closely, examining the entirety to determine its condition.

The Supreme Court noted that an inventor was entitled to use an invention to experiment and to perfect the invention, even if the use was in public. The Court

reaffirmed that testing by the inventor to ensure that the invention meets its purpose is an acceptable experimental use. The inventor must keep control of the invention, must not sell the invention, and must not voluntarily allow other to use the inventions.³ The public may benefit, but so long as the inventor limits use of the invention, an experimental use defense can be raised.

The Federal Circuit Recently Addressed Experimental Use in *Atlanta Attachment*

The Court of Appeals for the Federal Circuit held that a commercial sale of prototypes triggers the on-sale bar to patentability under 35 U.S.C. § 102(b) and cannot form the basis of an experimental use exception. In *Atlanta Attachment Co. v. Leggett & Platt Inc.*,⁴ the court found that the patentee offered to sell 50 prototypes that were embodiments of the claim at issue before the critical date, that is, more than one year before applying for a patent, thus invalidating the patent. Also, the prototypes were sold to determine acceptability to the user, and the patentee did not retain control over the prototypes, so the prototypes could not fall within the experimental use exception. Thus, the court reversed a summary judgment of validity and infringement. The case was remanded for consideration of inequitable conduct.

Sealy Inc. requested that Atlanta Attachment Co. create an automatic gusset ruffler machine. Atlanta Attachment developed and provided to Sealy four prototypes in succession. The first two prototype sales offers included quotations for sales of subsequent devices. Sealy tested each prototype in secrecy, made no

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commercial product, and provided verbal comments to Atlanta Attachment.

In September 2000, Atlanta Attachment sent a quotation for the third prototype, with further sales orders created on November 30, 2000, and February 5, 2001, both before the critical date of March 5, 2001. Sealy inspected this machine at Atlanta Attachment's facilities and paid the last invoice. A fourth prototype was delivered after the critical date. Sealy experimented for about two months, after which additional improvements were made. However, Sealy decided not to purchase machines from Atlanta Attachment and freed Atlanta Attachment to sell the device elsewhere.

The third prototype "adjusted sewing speeds without operator intervention, recognized the corner of a panel and automatically turned on the ruffling function, and turned off the ruffler when complete."⁵ The fourth prototype was substantially similar to the third, but used a pneumatic piston instead of the eccentric drive of the third prototype to control the pleat generator and controlled the pleat generator independently of the sewing machine.

Atlanta Attachment filed a patent application on August 15, 2002, claiming priority to a provisional application filed March 5, 2002. US Patent No. 6,834,603, issued December 28, 2004. Atlanta Attachment asserted that a series of Leggett & Platt's sewing machines infringed claim 32, as follows:

32. A system for attaching a gusset to a panel, comprising:

- a. a gusset forming station for automatically forming the gusset from a strip of gusset material;
- b. a sewing table having an upper surface supporting the panel as the gusset is attached thereto;
- c. a sewing machine adjacent the upper surface of the sewing table, positioned along sewing path for the panel, for attaching the gusset to the panel;
- d. a pleat generator for forming at least one pleat in the gusset at a desired location about the panel, said pleat generator operated in timed relation with said sewing machine, sewing the gusset to the panel; and
- e. a system controller controlling a sewing operation for attaching the gusset to the panel,

wherein said system control can control the sewing of the gusset to the panel at varying rates to enable high speed sewing of the gusset to the panel and sewing at a different rate for generation of the pleats in the gusset as needed.

The Leggett & Platt machines were held to infringe, and claim 32 was found not invalid because the three prototypes provided before the critical date were not on sale, because none of these prototypes reduced the limitations of claim 32 to practice and because these prototype sales were experimental uses. The district court also found no inequitable conduct because there was no need to disclose to the PTO experimental prototypes not disclosed to the public.

In reversing the summary judgment of validity and infringement, the Federal Circuit addressed the requirements, under 35 U.S.C. § 102(b), that bar the right to a patent because the invention was on sale (or in public use) more than one year before the patent application was filed. The invention is barred "when it was both the subject of a commercial offer for sale before the critical date and ready for patenting at the time of the offer."⁶ The court is required to "determine whether the subject of the barring activity met each of the limitations of the claim, and thus was an embodiment of the claimed invention."⁷

To meet the "commercial offer" prong, "the offer must be sufficiently definite that another party could make a binding contract by simple acceptance, assuming consideration."⁸ However, to be experimental use that does not bar patentability, the activity must be an experiment and not an attempt to profit. Here, the third prototype was indeed sold, as Atlanta Attachment sent an invoice and Sealy paid it. Further, this was not experimentation within the exception because the use was to determine whether the device was suitable for the user's purposes, and Atlanta Attachment did not retain control over the prototypes. As the experimental use exception concerns only the actions of the inventor and his agents and because Sealy was not under Atlanta Attachment's control, Sealy's activities are not relevant. Thus, the first prong was met.

The court noted that the *Pfaff* commercial use prong also was met by Atlanta Attachment's commercial offer for sale, dated September 27, 2000, for 50 units, with installation to begin in March 2001. Because this offer was made before the critical date and was accepted by signature of a purchaser and became a contract, it was "an offer for sale that cannot avoid the on-sale bar via the experimental use exception."⁹ Rather, such an offer to mass-produce production models was commercial exploitation.

The second *Pfaff* prong, “ready for patenting,” was met by the third prototype because this prototype was a reduction to practice of claim 32. The court identified two ways to meet the “ready for patenting” prong: (1) the device is reduced to practice before the critical date, or (2) the inventor had prepared drawings or descriptions of the invention sufficiently specific to enable a skilled practitioner to practice the invention before the critical date.¹⁰ According to the court, “[a]n invention is reduced to practice when it works for its intended purpose,” that is “when there is a demonstration of its workability or utility.”¹¹ The court stated that, “once there has been a commercial offer, there can be no experimental use exception.”¹²

Atlanta Attachment improved the fourth prototype based on Sealy’s comments on the third prototype. However, this does not mean that the third prototype was not suitable for its intended purpose. The purpose for the modification from eccentric to pneumatic drive was to reduce vibration. The court noted that this perfection of a claimed feature was not to be considered required for reduction to practice of the invention. Rather, perfection of a claimed feature refers to applicability of the experimental use exception to the “commercial use” prong of *Pfaff*. The court stated that, because “later refinements do not preclude reduction to practice, it is improper to conclude that an invention is not reduced to practice merely because further testing is being conducted.”¹³ Herein, vibration-free operation was not a claimed feature, so it could be relevant to reduction to practice only if vibration made the earlier machine unsuitable. Thus, this and other improvements (including control independent from a sewing machine) to the third prototype did not preclude the third prototype for being a reduction to practice of the claimed invention and “because the third prototype was both the subject of a commercial offer for sale before the critical date and was reduced to practice at the time,” the asserted claim is invalid in view of the on-sale bar.¹⁴

Further, because the third prototype was on sale, it was material to examination. Therefore, the court remanded the case for consideration of the inequitable conduct allegation.

Judge Prost Notes Courts Must Apply “Pre-*Pfaff*” Standards, Rhetoric Carefully

In a concurring opinion joined by Judge Dyk, Judge Prost noted that, in *Pfaff*, the Supreme Court stated that “one can prove that an invention is complete and ready for patenting before it has actually been reduced to practice” with regard to the “ready for patenting” prong

of the *Pfaff* test. However, the Federal Circuit, following pre-*Pfaff* decisions, has stated that “the experimental use doctrine cannot provide an exception to the on-sale bar once an invention is reduced to practice.”¹⁵ For example, in *Cargill, Inc. v. Cambra Foods, Ltd.*,¹⁶ the court noted that, because *the invention was reduced to practice*, “there can be experimental use negation.”¹⁷ Thus, even a transaction for experimental purposes would not qualify for the experimental use exception. In *Allen Eng’g Corp. v. Bartell Indus., Inc.*, the plaintiff’s assertion that sales before the critical date were experimentation was rejected on the same basis, that is, that “once the invention is reduced to practice, there can be no experimental use negation.”

Many other cases were decided using pre-*Pfaff* rhetoric after *Pfaff*’s two-prong test had been established. However, Judge Prost noted that, “[i]f one were to accept that reduction to practice eliminates availability of the experimental use doctrine as a whole, the continuing viability of that doctrine would exist only between the time an invention is ready for patenting and the time it is reduced to practice.”¹⁸ This would result in the ability to work on an invention only in private, but “[p]rivate work that is primarily experimental would not trigger the on-sale or public use bars to patentability in the first place, and thus has no need for the experimental use doctrine.”¹⁹

***Pfaff* Does Not Cut Off Experimental Use at Reduction to Practice**

The *Pfaff* court “indicates that the experimental use doctrine should apply more broadly than the limited period suggested by a reduction to practice cutoff” because it discusses how the doctrine relates to the “commercial use” prong.²⁰ The Court also “minimize[s] the relevance of a distinction between ‘ready for patenting’ and reduction to practice, other than as relaxing evidentiary requirements for proving the on-sale bar.”²¹ If completeness of the invention is justification for eliminating the experimental use exception, “then the exception should also not apply to protect an invention ready for patenting, a proposition flatly contradicted by *Pfaff*.”²²

Thus, Judge Prost wrote that “experimental use in this respect represents the counterpoint to commercial sale or public use,” affording the opportunity to continue to develop any claimed aspect of the invention “if they conduct development activities in a way that is neither public nor simply commercial, even if there is some commercial benefit to the inventor in connection with the experimental use.”²³ This development activity “should fall under the post-*Pfaff* application of the experimental use doctrine, and should be protected if it satisfies the first prong of *Pfaff*—i.e., it is neither a simply commercial offer for sale nor a public use.”²⁴

A commercial transaction that facilitates development thus avoids the on-sale bar if the “development activity meets the requirements of the experimental use doctrine.”²⁵ The experimental use exception “does *not* evaporate upon reduction to practice.”²⁶ The experimental use doctrine is not pertinent to the “ready for patenting” prong of *Pfaff*, but “an inventor’s experimentation may have relevance to that prong.”²⁷ This second prong requires that the invention be complete, so a showing that experimentation with regard to claimed aspects of the invention is required to complete the invention avoids this prong.²⁸

In this case, Atlanta Attachment did not show the experimental aspects of the sale, and a quote for 50 units separately demonstrates a commercial offer for sale, precluding application of the experimental use doctrine.²⁹ Further, Atlanta Attachment’s arguments were directed to unclaimed features, and therefore lead to the conclusion that the third prototype was “ready for patenting.”³⁰

Practical Application

Experimental use relates to both the *Pfaff* prongs, that is, whether a commercial offer for sale has been made and whether the invention is “ready for patenting.” Neither of these criteria, even if satisfied, can preclude application of the experimental use exception. In particular, exception use relates to the second prong to the extent that it shows that the invention was not complete.

However, one who seeks to obtain a patent must take appropriate steps to ensure that a continuing course of development does not become an offer for sale or a public use that precludes patentability. The potential patentee must keep control of the experiment, ensure that only the authorized tester has access to the invention, and ensure that others are not permitted to use the invention. Make observations about the invention and whether it is fit for its purpose, not whether the potential customer finds the invention suitable or whether it will be commercially successful. Keep in mind the claim

limitations. If possible, do not make any sales within the claim limitations; although it may be possible to explain a sale, the use is more likely to be considered experimental use if no sale is involved.

Notes

1. 35 U.S.C. § 102(b).
2. *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878).
3. *Id.* at 135.
4. *Atlanta Attachment Co. v. Leggett & Platt Inc.*, No. 2007-1188 (Fed. Cir. Feb. 21, 2008).
5. Slip Op. at 3.
6. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67, 199 S. Ct. 304, 311-312 (1998). Slip Op. at 5.
7. *Id.*
8. *Id.* at 6.
9. *Id.* at 8.
10. *Id.*
11. *Id.*
12. *Id.* at 8.
13. *Id.* at 9.
14. *Id.* at 10.
15. Concurring Op. at 1-2.
16. *Cargill, Inc v. Canbra Foods, Ltd.*, 476 F.3d. 1359, 1371 (Fed. Cir. 2007).
17. Citing *Allen Eng’g Corp. v. Bartell Indus., Inc.*, 229 F.3d. 1336, 1354 (Fed. Cir. 2002), which cited *EZ Dock, Inc. v. Schafer Sys., Inc.*, 276 F.3d. 1347, 1357 (Fed. Cir. 2002).
18. *Id.*
19. *Id.*
20. *Id.*
21. *Id.* at 3.
22. *Id.*
23. *Id.* at 3-4, footnote omitted.
24. *Id.*
25. *Id.*
26. *Id.*
27. *Id.* at 5.
28. *Id.*
29. *Id.* at 4.
30. *Id.*

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