"Under Pfaff, Ready?Patent?File"
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In the ever-changing world of patent law, most influential precedents are handed down by the Court of Appeals for the Federal Circuit. The CAFC, created in 1982 as the sole Federal Court of Appeals having jurisdiction over patents (28 U.S.C. Section 1295(a)), has helped to establish uniform patent standards and to strengthen the protection afforded to issued U.S. patents.

The CAFC also routinely clarifies and interprets U.S. patent law, and expands it to cover new forms of innovation, such as software-related patents.

The U.S. Supreme Court nevertheless steps in, on occasion, to review a decision of the CAFC, and has done so a number of times in recent years.

In Pfaff v. Wells Electronics, Inc., 119 S.Ct. 304, 142 L.Ed.2d 261, 67 U.S.L.W. 4009, 48 U.S.P.Q.2d 1641 (1998), decided on Nov. 10, the Supreme Court issued an important decision concerning the so-called "on-sale bar" doctrine of U.S. patent law.

The patent laws of many countries follow the rule of "absolute novelty," which prohibits patent protection if the invention is made public in some way before the patent application is filed.

For example, if the invention is described in a published article before the patent application is filed, the invention is no longer absolutely novel at the time of filing, and patent protection may be unattainable.

The United States, unlike many other countries, in Section 102(b) of the U.S. Patent Act (35 U.S.C. Section 102(b)) provides a one-year grace period following certain "statutory bar" events to permit an inventor to file a patent application (a two-year grace period was introduced by Congress in 1839; this was changed to one year in 1939).

In the U.S., if an invention is patented or described in a printed publication, or in public use or on sale for more than one year before the filing of the patent application, patent protection is barred. For this reason, companies and individual inventors are often careful to file a patent application within one year of the first date an invention is offered for sale.

Grace Period Trigger

The issue in Pfaff concerned exactly when the on-sale bar's one-year grace period is triggered, if a working model of the invention has not yet been completely built, or "reduced to practice," at the time the invention is first offered for sale. (The court noted that a device is reduced to practice when it is assembled, adjusted and used, i.e. when a working model is built.)

In Pfaff, the inventor, Pfaff, designed a new computer chip socket, and sent detailed engineering drawings of the socket to a manufacturer. He also showed a sketch of his concept to Texas Instruments (TI), which placed an order for the new sockets, prior to April 8, 1981.

At the time Pfaff made the offer to sell the socket in commercial quantities, he had not yet made and tested a prototype of the socket. In fact, he did not reduce the invention to practice, by making a working prototype, until the summer of 1981.

Pfaff filed a patent application for the socket on April 19, 1982 - more than a year after the April 8, 1981, order from TI but less than a year after the actual reduction to practice.

Pfaff later sued Wells Electronics Inc. for patent infringement, in Federal District Court. The District Court rejected Wells' Section 102(b) defense on the ground that Pfaff had filed the patent application less than a year after reducing the invention to practice.

The CAFC reversed, however, holding that the one-year grace period of Section 102(b) began to run when the invention was offered for sale commercially, even though it had not yet been reduced to practice. The CAFC reasoned that the invention was "substantially complete" at the time of the sale, and thus the one-year period began to run at least as early as the April 8, 1981, order from TI, more than one year before the patent application was filed.

Therefore, the CAFC held the patent to be invalid due to the on-sale bar.

'Substantially Complete'

The Supreme Court granted certiorari because the term "substantially complete" used by the CAFC does not appear in the text of Section 102(b). Further, some U.S. courts had previously held that an invention cannot be on sale for purposes of Section 102(b) unless and until it has been reduced to practice.

The Supreme Court, therefore, decided to review Pfaff "to determine whether the commercial marketing of a newly invented product may mark the beginning of the one-year period even though the invention has not yet been reduced to practice."

In a unanimous decision written by Justice John Paul Stevens, the court held Pfaff's patent to be invalid because the invention had been on sale for more than one year before the patent application was filed. The court, however, questioned the "substantially complete" standard used by the CAFC and adopted a new "ready for patenting" test to determine when the one-year grace period begins to run.

The court focused on the meaning of the word "invention" in the Patent Act, and in Section 102(b) specifically. For the on-sale bar to apply, there must be an "invention" in existence, and it must be on sale.

The court noted 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 idea. This conclusion is reinforced by the fact that the Patent Act does not expressly require an invention to be reduced to practice before it can be patented (in fact, though the court does not mention it, when an invention is not yet reduced to practice, the act of filing a patent application is said to be a "constructive" reduction to practice).

The court pointed out that in 1888, for example, it upheld a

telephone-related patent issued to Alexander Graham Bell even though he had filed the patent application before constructing a working telephone.

In short, the Patent Act does not make "reduction to practice" an essential element of an "invention." In fact, the only specific use of the term in the Patent Act lies in a provision setting forth the standard for resolving priority contests between two competing claimants to the right to patent an invention.

This provision has nothing to do with what an invention is, but only provides which of two inventors has priority over the other.

Thus, an inventor need not have perfected or reduced his invention to practice in order to obtain a patent therefor. The court explained that the invention must be described only with sufficient clearness and precision to enable those skilled in the art to produce the device.

The court agreed with Pfaff's contention that one of the goals of the Patent Act is to foster certainty and to provide inventors with a definite standard for determining when a patent application must be filed in order to avoid the on-sale bar.

The court also agreed that the CAFC's vague "substantially complete" test seriously undermines the interest in certainty, and also finds no support in the text of the Patent Act. However, the court did not agree that the rejection of the CAFC's "substantially complete" test requires the court to engraft a reduction to practice element into the meaning of the term "invention."

Rather, the court stated, the term "invention" refers to a concept that is complete, rather than merely "substantially complete."

Reduction to practice is merely evidence of completion. However, just as one can receive a patent for an invention not yet reduced to practice but which has been sufficiently described, an invention can be complete and "ready for patenting" before it has actually been reduced to practice.

Accordingly, under the court's new ready for patenting test, Section 102(b)'s one-year grace period for the on-sale bar begins to run when two conditions are satisfied.

* First, the product in question must be the subject of a commercial offer for sale.

* Second, the invention must be ready for patenting. Under this second prong, an invention is ready for patenting if it has been actually reduced to practice, or if it has been described in drawings or other descriptions sufficiently specific to enable a person skilled in the art to practice the invention.

In fact, the court stated that the ready-for-patenting condition may be proved in at least these two ways, implying that there may be ways other than reduction to practice or written description to prove that the invention is ready for patenting at a given time.

More Litigation Coming

The ready for patenting test, therefore, which was put forth by the court as a test promoting greater certainty than the CAFC's "substantially complete"

test promoting greater certainty than the CAFC's "substantially complete" test, is sure to be the subject of much litigation in the future.

Much of this litigation will stem from the fact that the new standard is poorly geared to the case that was before the court. The facts in Pfaff involved detailed engineering drawings of a device embodying the invention.

Certainly, the Supreme Court was justified in finding these facts appealing for starting the running of the grace period. Unfortunately, the "ready for patenting" standard selected by the Supreme Court is not tailored to the situation in Pfaff.

Far less detailed drawings or plans may arguably constitute a conception, and render an invention "ready for patenting."

The "ready for patenting" standard will cause significant difficulties for patent protection for inventions created under long-term development projects.

Numerous inventions may be made in the course of creating a system under a long-term development project. It may be argued that anything created in the course of such a project is the subject of a commercial offer for sale. The only question in determining when the one-year grace period starts is determining when the invention is "ready for patenting."

Under the CAFC's "substantially complete" test, it was reasonable to take the position that the one-year grace period did not start until the process of building a prototype was nearing completion. Under the "ready for patenting" test, the grace period may commence before the start of building a prototype.

In a long-term development project, some portions of the project are placed late in the process. Such portions of the project are placed at risk of having the grace period expire before development work proceeds in earnest. Those entities involved in long-term development projects may need to consider patent protection much earlier than previously believed.

International Implications

Moreover, the Pfaff decision may reverse traditional thinking regarding the availability of foreign versus U.S. patent rights.

The one-year grace period provided by U.S. law has usually been interpreted as providing that inventors may waive their foreign patent rights, while still retaining the possibility of U.S. patent filing. However, this may now be reversed.

For example, an invention conceived in the course of a long-term development project could be deemed "ready for patenting" more than one year in the past. As a result, the right to obtain U.S. patent protection would be waived.

At the same time, if the invention has been maintained in confidence, and is not embodied in a product, foreign patent protection may still be available.

Until the CAFC clarifies and refines the ready for patenting test, companies and inventors can avoid losing important patent rights due to the on-sale bar by erring on the side of caution.

by filing on the date of creation.

Accordingly, in any case of doubt about whether an invention is ready for patenting, either commercial offers for sale should be avoided until one is ready for the 1-year period to begin to run, or, if a commercial offer for sale is about to be or has been made, then a regular U.S. utility patent application or provisional patent application should be filed within a year of the earliest possible triggering date.

For ongoing projects under development contracts, periodic reviews are important to identify any inventions that may later be viewed by a court as having been "ready for patenting" early in the development process.

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