

Insights: Alerts

Supreme Court Holds AIA Did Not Eliminate Secret Prior Art

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In a widely-anticipated decision, the U.S. Supreme Court held yesterday that the America Invents Act (AIA) did not change the scope of the on-sale bar to patentability. The unanimous decision, authored by Justice Thomas, held that the language of amended 35 USC § 102, which precludes patentability if the “claimed invention” was “...on sale, *or otherwise available to the public*,” was insufficient to change the well-established meaning of the on-sale bar under pre-AIA 35 USC § 102. Courts have long held that the on-sale bar extends to secret offers for sale of an invention, such as those made under a non-disclosure agreement, made more than one year before filing a patent application claiming that invention. Quoting *Pfaff v. Wells*, the Court reaffirmed that an invention is considered “on sale” when it is “the subject of a commercial offer for sale” and “ready for patenting.”

Notwithstanding the “or otherwise available to the public” language added by the AIA, the Court concluded that the AIA does not further require that the sale make the claimed invention available to the public in order to bar patentability. Notably, the Court held that reenactment of the phrase “on sale” in the AIA was tantamount to Congress adopting the prior judicial interpretations of the on sale bar, especially those of the Federal Circuit, which has long held that secret sales can invalidate a patent. Thus, under the AIA, a secret sale to a third party will continue to trigger the on-sale bar even if the third-party is obligated to keep the invention confidential.

The Court also held that Helsinn’s position—that the phrase “otherwise available to the public” indicates that a claimed invention is only “on sale” if the sale makes the invention publicly available—placed too much weight on the added catchall phrase. According to the Court, the phrase “otherwise available to the public” merely captures prior art that does not fit neatly into the statute’s enumerated categories, e.g., a public speech disclosing an invention.

Shortly after enactment of the AIA, the USPTO issued guidance interpreting the new language in § 102 as eliminating secret prior art. During oral argument, Mr. Malcom Stewart argued as amicus curiae on behalf of the United States. When questioned by Justice Kagan on whether the new AIA language would be enough to unsettle well-established case law prior to the AIA, however, Mr. Stewart conceded a major issue of the case stating, “No, I think that would be a fairly oblique way of attempting to overturn kind of a settled body of law.” This statement, which was directly at odds with Helsinn’s position, was quoted in the opinion and was likely influential in the Court reaching its 9-0 decision.

Takeaways and recommendations:

-Although many will be disappointed by the Supreme Court's holding that the AIA did not eliminate secret prior art, it does provide **clarity** as to the scope of the “on sale” bar under the AIA.

-This decision may be particularly problematic for **smaller companies** that need to partner with established manufacturing and/or supply-chain companies in order to bring their inventions to market. Creative financing options should be considered that might not rise to the level of a UCC offer for sale. The decision also creates issues for **foreign companies** unfamiliar with this nuance of US patent practice.

-Unlike foreign jurisdictions, **confidentiality agreements** should not be relied upon to prevent any loss of patent rights based on any offers for sale of the invention.

-It is critical that those involved in marketing or sales **communicate** any anticipated commercial activities to in-house or outside counsel to ensure all steps are taken to adequately protect the invention.

-Inventions must be evaluated early to determine whether they should be maintained as a **trade secret** or protected via patent protection. Once one year has passed from commercialization, the decision cannot be reversed.

-Strongly consider filing an early **provisional patent application** before any anticipated disclosures or offers for sale to any third party.

Related People



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