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Review of Developments in Intellectual Property Law

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The Intersection of Trade Secrets and Patent Law: The Prior User Rights Statute, 35 U.S.C. § 273, Part 2

Introduction

Part I of this Article examined the scope of 35 U.S.C. § 273, the prior user rights statute, which is intended to protect the expectations and investments of prior users to a subsequent patent. Part II will examine the sufficiency of section 273 and some potential alternatives.

Does Section 273 Adequately Protect the Investments and Expectations of Prior Users?

Questions exist about whether section 273 will, in practice, provide the relief Congress intended. Arguably, the statute does not go far enough. For example, prior users will still have uncertainty at all stages of use: when they first reduce to practice the subject matter, when they begin commercial use, and when they make additional investments in the subject matter. This uncertainty exists because: (i) the prior user does not know whether another party will patent the subject matter, and (ii) the prior user must actually reduce the subject matter to practice at least one year before the effective filing date of such a patent application to utilize the section 273 defense. *See* 35 U.S.C. § 273(b)(1). The fact that U.S.

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Drafting the Technology Game Plan Part 5: Domain Name Protection

Introduction

Most businesses consider their domain name one of their most valuable assets. Indeed, the first contact many consumers have with a particular business is through the company Web site. Critically, domain names enable consumers and potential customers to quickly and easily connect with a particular business over the Internet.

To assist clients in policing their intellectual property on the Internet, MBHB attorneys regularly set up watch services to identify potentially adverse domain names and trademark uses. These services periodically search for identical or confusing domain names (and other trademark uses) and provide information regarding the registrant. By proactively identifying potentially adverse domain names, we often successfully resolve domain name disputes with a carefully worded letter to a registrant.

Other cases require resort to the courts or to other proceedings. Below is an overview and comparison of four methods for resolving domain name disputes: ICANN anticybersquatting proceedings, the Anticybersquatting Consumer Protection Act, the Lanham Act, and the Federal Trademark Dilution Act. Of these, ICANN provides the simplest and quickest method of resolving domain name disputes, but is limited in its available remedies.

ICANN Anticybersquatting Proceedings

Upon registration of a domain name, each registrant now agrees to submit to the jurisdiction of the ICANN (Internet Corporation of Assigned Names and Numbers) arbitration regime. To arbitrate disputes, ICANN employs the Uniform Domain Name Dispute Resolution Policy ("UDRP").

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patent applicants may request non-publication of patent applications exacerbates the uncertainty because non-publication may result in a prior user not being aware of a relevant application until it issues as a patent.

Additionally, the prior user must "commercially use" the subject matter prior to the effective filing date of a patent for the defense to apply. At the time commercial use starts, the prior user may not know of any relevant application filings, and the prior user certainly will have no way of knowing whether it commercially used subject matter prior to such an application filing date. Moreover, without knowledge of relevant filed applications, prior users will typically continue to invest efforts and resources to develop the subject matter of the prior use. In such a case, section 273 provides no protection if a subsequent inventor files a patent application within one year of a prior user's reduction to practice, or prior to its commercial use. Thus, the prior user could potentially lose its investment.

Several factors aggravate this uncertainty and the associated risks to a prior user. First, a prior user may not know of a relevant patent for many years due to the long pendency of applications, especially with the possibility of non-publication of the application. For instance, in some Art Units at the U.S. Patent Office, more than three years can pass before initial examination of an application. Second, the possibility of "submarine patents" issuing from a line of continuation applications exists for many years after initial commercial use. Under current patent practice, a party can maintain pending continuation applications indefinitely, albeit with the term of any patents that issue expiring on the twentieth anniversary of the earliest claimed filing date. Thus, it is possible that a continuation application with a priority date before the prior user's commercial use could issue many years after this commercial use commences, and after significant investment by the prior user. In this situation, section 273 offers no relief. Unfortunately, such a situation can arise with very little financial risk on the part of the "submarine" patentee but at huge financial detriment to the prior user.

The need to compare both the dates of the prior user's reduction to practice and the first commercial use to the effective filing date of a subsequent patent is another uncertainty associated with the section 273 defense. *See* 35 U.S.C. § 273(b)(1). Of course, the patentee and the prior user will often dispute the effective filing date of the patent. For example, the effective filing date for a continuation-in-part application may be difficult to determine, because support under 35 U.S.C. § 112 must exist for each claim, as construed, in the application or applications to which priority is claimed. Further adding to this uncertainty, the issues of claim construction and the requirements of section 112 are a matter of ongoing judicial development. Thus, the uncertainty as to the effective filing date of any claim may cast doubt on the viability of a section 273 defense.

Additionally, as discussed in Part I of this Article, section 273(B)(3)(a) seems to limit the defense to a charge of infringement for a claimed method, and in particular "a method of doing or conducting business" as defined in section 273(a)(3). The statute is arguably not susceptible to such a precise meaning, however, as was discussed in Part I of this article. Uncertainty arises because the legislative history of section 273 indicates that (i) a court should not exalt the form of an asserted claim over

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substance, and (ii) despite the limitations of section 273(B)(3)(a), the statute arguably encompasses apparatus claims. *See* 145 Cong. Rec. E1,789 (1999); 145 Cong. Rec. S14,836-37 (1999). If the courts interpret "method" strictly to encompass only "business method" claims, however, then the scope of the defense will indeed be narrow. For example, if section 273 does not provide protection to a prior user accused of infringing an apparatus or system claim, unless such a prior user invalidates the patent on other statutory grounds or establishes non-infringement, the use of its prior apparatus or system exposes the prior user to infringement liability.

Prior User Rights Reforms Proposed By the Federal Trade Commission

The Federal Trade Commission ("FTC") recently recognized the need for prior user rights reforms and recommended enactment of a new prior user rights statute directed to "submarine" continuation applications. *See To Promote Innovation the Proper Balance of Competition and Patent Law and Policy—A Report by the Federal Trade Commission* ("*FTC Report*") (Oct. 2003) (Recommendation 8 of the Executive Summary). Unfortunately, the FTC proposal only addresses one of the deficiencies of section 273, specifically the uncertainty due to long delays in the issuance of patents that cover the prior use subject matter.

To remedy the assertion of claims arising from "submarine" applications against prior users, the FTC recommends the enactment of legislation to protect a prior user from infringement liability if its use was before the first publication of a claim covering that subject matter in a continuing application. *See FTC Report*, Chapter 4, p. 31. If a parent application, however, contained a properly described claim covering the subject matter before the user's reduction to practice, use, or substantial preparation for use, the defense proposed by the FTC would not be available. *Id*. Moreover, the proposed legislation would seemingly cover all patentable subject matter and, thus, would address the uncertainty regarding the availability of section 273 as a defense to non-method or non-business method claims.

Further, the FTC proposal would remove the uncertainty relating to the effective filing date of a patent, because the FTC approach looks to the date of the first publication of the claims covering the subject matter of the prior use (which can be readily ascertained by review of the published patent application(s)). Thus, this determination requires no analysis of whether the claim is supported by the specification of an earlier application in the manner required by 35 U.S.C. § 112.

Conclusion

The enactment of 35 U.S.C. § 273 in 1999 was an important step in providing prior user rights. As the current and preceding Articles indicate, however, important statutory interpretation issues need to be resolved. Furthermore, in its current form, section 273 arguably does not provide enough protection for the expectations and investments of prior users. Congress should review the FTC's proposal and consider whether section 273, in its present form, adequately balances patent and trade secret considerations and fulfills the Constitutional mandate "to promote the Progress of Science and the useful Arts." *See* U.S. Const., Art. 1, § 8, cl. 8.

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Drafting the Technology Game Plan Part 5: Domain Name Protection

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The UDRP provides for mandatory arbitration proceedings for registrants of domain names. Information on the UDRP, and the ICANN regime in general, can be found at http://www.icann.org/udrp/.

To bring a complaint against a domain name registrant under the ICANN regime, a complainant must be prepared to show that (i) a registered domain name is identical or confusingly similar to the trademark in which the complainant has rights; (ii) the registrant has "no rights or legitimate interests" in the domain name; and (iii) the domain name has been registered and is being used "in bad faith." UDRP ¶ 4(a). Rights or legitimate interests are identified under the UDRP as (i) a registrant's bona fide use of (or intent to use) the domain name; (ii) the registrant is commonly known by the domain name; or (iii) the registrant is making legitimate noncommercial or fair use of the domain name. UDRP ¶ 4(c). The UDRP defines bad faith as (i) acquiring a domain name primarily to sell the domain name for profit to the complainant or a competitor of the complainant; (ii) registering a domain name to deprive a trademark owner from using the domain name, provided that there is a pattern of such conduct; (iii) registration to disrupt the business of a competitor; or (iv) use of the domain name to attract, for commercial gain, users to the domain name by creating a likelihood of confusion with a trademark. UDRP ¶ 4(b).

When filing a complaint, a party can file with any one of four approved dispute-resolution providers that all follow UDRP rules. Each provider has its own supplemental rules and published decisions. In all cases, an ICANN proceeding allows for one paper from each party—the complaint and a response. There is no discovery and no oral hearing. Once a complaint is filed, the complaint is "quickly" forwarded to the domain name registrant. Upon forwarding, the registrant has twenty days to file a response. Once the response is filed, a panel of arbitrators is chosen within five days and, in general, a decision is rendered within an additional fourteen days. The parties are notified approximately three days after the decision.

There is no appeal process under ICANN. In case of an unsuccessful ICANN decision, a complainant can still file a complaint in District Court under the ACPA, and the District Court will hear the dispute de novo.

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Anticybersquatting Consumer Protection Act

The Anticybersquatting Consumer Protection Act ("ACPA") permits claims by an owner of a "distinctive" or "famous" trademark against an owner of a domain name that is "identical or confusingly similar" to that mark, if the trademark owner can show that the domain name owner has "a bad faith intent to profit from that mark." 15 U.S.C. § 1125(d)(1)(A). If the mark is "famous" and not just "distinctive," the trademark owner can also bring an ACPA claim if the offending domain name is "dilutive" of the trademark. *Id.* Notably, courts have analyzed the ACPA's "confusingly similar" requirement differently than the Lanham Act's "likelihood of confusion" standard, focusing more on comparing the marks superficially.

Showing "bad faith intent" might be the most difficult aspect of an ACPA claim. To assist an analysis of bad faith, the ACPA enumerates nine factors to consider: (1) any trademark or other intellectual property rights of the domain name owner in the domain name; (2) whether the domain name is the legal name of the domain name owner; (3) the domain name owner's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services; (4) the domain name owner's bona fide non-commercial or fair use of the trademark in relation to the domain name; (5) the domain name owner's intent to divert consumers from a trademark owner's Web site (including "typosquatting"); (6) the domain name owner's offer to sell the domain name for profit (without bona fide intent to use or use of the domain name); (7) whether the domain name owner provided false or misleading registration information; (8) a pattern of cybersquatting or similar behavior; and (9) the distinctiveness or fame of the trademark. 15 U.S.C. § 1125(d)(1)(B). Lastly, a domain name owner has a defense under the ACPA if it reasonably believes its use of the domain name was fair or otherwise legitimate use. *Id.*

Federal Courts have subject matter jurisdiction over ACPA claims. Remedies available under the ACPA include the transfer or cancellation of the domain name, attorney's fees, actual or statutory damages, and injunctive relief. Statutory damages can range from $1000 to $100,000 per domain name. 15 U.S.C. § 1117(d).

Lanham Act

The 1946 Lanham Act provides a statutory basis for the protection of trademarks and service marks. 15 U.S.C. §§ 1051-1128. Although passage of the Act predates the concept of domain names, the Lanham Act can provide protection for a party who uses its domain name as a trademark. A trademark holder can bring Lanham Act claims for both infringement and unfair competition. 15 U.S.C. §§ 1114(1)(a), 1125(a)(1). Under the Lanham Act, a trademark holder can obtain an injunction and/or damages when another's commercial use of the mark creates a likelihood of confusion among consumers with respect to the source of the goods or services in question. However, no claim arises unless the potential defendant actually uses the mark in commerce. Defendants in Lanham Act actions have several available defenses, which include fair use (including protected free speech and parody), laches, acquiescence (if the parties are in a business relationship, for example), and abandonment of the mark.

Federal Trademark Dilution Act

Where it is difficult to prove likelihood of confusion under the Lanham Act, the Federal Trademark Dilution Act ("FTDA") of 1995 can provide relief for dilution of famous marks. 15 U.S.C. § 1125(c)(1). The theory of dilution is that a famous mark can lose its distinctive quality if used improperly. Under the FTDA, an owner of a famous mark can obtain relief against another's commercial use of the mark, when the use blurs or tarnishes the distinctive quality of the mark. Like under the Lanham Act, a trademark owner can obtain an injunction and/or damages under the FTDA. Under both Acts, a court may order the transfer or cancellation of the disputed domain name.

Both Lanham Act and FTDA claims arise under federal law and may be filed in federal district courts. Although they have the potential benefit of monetary damage awards, litigation can be expensive and time consuming.

Moreover, the "use in commerce" requirement for both Lanham Act and FTDA claims can allow some cybersquatters to avoid liability. For example, an individual who simply holds a valuable domain name may escape prosecution. In addition, the requisite personal jurisdiction and service of process may be difficult to obtain over foreign defendants. Dispute resolution through the more recently enacted ACPA and the ICANN arbitration proceedings can avoid these perceived problems, however.

Conclusion

Deciding whether to invoke one of the above dispute resolution methods depends on the facts related to each particular adverse domain name or domain name registrant. It also requires a balancing of the desired remedies with the interest in quickly resolving the dispute. In any case, vigilance in policing potentially adverse domain names allows a business to retain the advantage in identifying and stopping adverse users.

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On Your Mark! . . . Get Set! . . . Know!: Marking Fundamentals

Preparing for a successful patent licensing campaign or a lucrative win in patent litigation starts not at the time of negotiations or of filing a claim, but rather at the moment the patent issues. It helps, of course, to have a strong patent with broad claims and a well-written disclosure, but it is just as important for a patentee to have an organized patent marking program in place. The trouble and expense of marking products, when properly done, can be well worth the effort when a patentee attempts to collect damages from an infringer.

The Marking Statute: History and Rationale

The marking statute lays out the rules to be followed and the steps to be taken by a patentee in order to avoid forfeiting any portion of the damages arising from another party's infringing conduct. The marking statute provides as follows:

> Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

35 U.S.C. § 287(a) (2004). So, the patent holder is given a choice: provide the public with constructive notice of a patented article by marking such items with the patent number, or give actual notice to the accused infringer. While marking an item with the patent number may be inconvenient and expensive, providing actual notice can end up being even more inconvenient and expensive, and will likely result in some lost damages for infringing products sold by the infringer before actual notice is given.

The justification for requiring notice is clear. While the rationale underlying the patent system as a whole is to reward technical innovation and encourage continued invention, *see, e.g.*, *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730 (2002), the notice requirement provides a different function: to provide the public with knowledge that a product is patented and that copying the product may constitute infringement of the patent. Notice essentially helps to prevent innocent infringement. *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 387, 394 (1936).

The original motivation for marking an item with a patent number was to avoid a fine imposed by the marking statute. Patent Act of 1842, 5 Stat. 543, 544. Rather than punishment by stick, the current version (and all modern versions) of the marking statute achieves compliance by offering patentees a carrot: the possibility of realizing monetary damages. 35 U.S.C. § 287(a).

Who Should Mark . . .

The patentee, of course, would be wise to mark its patented items. But for a patentee to take advantage of the constructive notice provision of 35 U.S.C. § 287(a), the marking statute also imposes an obligation

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on the part of a *licensee* who makes or sells a patented article to mark those items as well. 35 U.S.C. § 287(a) ("selling . . . any patented article for or under"); *Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987). This obligation extends to both express and implied licensees. *Amsted Indus. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 185 (Fed. Cir. 1994).

Therefore, in order protect against the loss of damages arising from another party's infringing conduct, a patentee should ensure that its licensing agreements contain a clause requiring the licensee to mark the patented article. *Devices for Med., Inc.,* 822 F.2d at 1066. A marking of "licensed under U.S. x,xxx,xxx" would be appropriate. *Amsted Indus.,* 24 F.3d at 185.

A licensee may fail to appropriately mark a patented and licensed article despite having a contractual obligation to do so. In such instances, a court could hold that a patentee is nevertheless entitled to damages provided that the patentee made "reasonable efforts to ensure compliance with the marking requirements." *Maxwell v. J. Baker, Inc*., 86 F.3d 1098, 1111 (Fed. Cir. 1996). Such efforts may include notifying a licensee's manufacturers of the need to mark, as well as requesting compliance of a licensee upon the patentee's discovery of the licensee's failure to mark. *Id.*

What to Mark . . .

The marking statute states that "any patented article" may be marked. To be patented, an article must fall within the scope of at least one claim of a given patent. Often, a patent application is filed as part of the design and development process of a product. Frequently, the product is described in detail as a preferred embodiment of the application, and is claimed as such. On the other hand, when a product is introduced after a patent application is filed, it may be less clear whether the product falls within the scope of the claims of the patent. Similarly, a licensee's product may not correspond precisely with a patent's claims and a question of equivalence may arise. While consultation with a registered patent attorney is probably the best way to determine whether an article is covered by a patent, for close calls, erring on the side of marking may be preferable to not marking at all.

Patented articles that are difficult to mark, such as extremely small products, products made of materials that are not amenable to marking, or products whose aesthetic appeal would be lost by patent marking, may be marked by placing a label on the article or by marking the article's packaging. 35 U.S.C. § 287(a). Clearly, the marking statute contemplates that all articles are capable of being marked, and a failure to mark due to the character of an article will rarely be excused.

While it's not difficult to determine what patented products should be marked, what about patented methods? Although the marking statute is silent on patented processes, courts have held that the provisions of the patent marking statute do not apply where all the claims of a patent are process or method claims. *Bandag, Inc. v. Gerrard Tire Co.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983). Similarly, where a patent has both method and product claims, but the patentee can only assert infringement of the method claims, the patentee can seek damages from the moment of infringement. *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1083 (Fed. Cir. 1983). However, where a patentee asserts infringement of *both* method and product claims of a particular patent, "to the extent that there is a tangible item to mark by which notice of the asserted method claims can be given, a party is obligated to do so if it intends to avail itself of the constructive notice provisions of section 287(a)." *American Med. Sys. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1539 (Fed. Cir. 1993). For example, a patent may contain claims to an apparatus, as well as method claims to the use or manufacture of the claimed apparatus. The patentee would be wise to mark the apparatus; taking any such reasonable steps provides at least a colorable argument that the patentee or licensee attempted to mark, paving the way to obtain maximum damages.

How to Mark . . .

Patent marking is a frequently used marketing tool for consumer-oriented products; often, a patent number will be prominently displayed on a product or a product's packaging to illustrate how innovative (and presumably wonderful) the patented product is. But as discussed above, the importance of marking goes beyond marketing considerations.

The statute itself notes that the mark may be as simple as including the word "patent" or the abbreviation "pat." on the article, along with the patent number. "Pat. x,xxx,xxx" is sufficient. For articles falling within the claims of multiple patents, language such as "Protected by one or more of the following U.S. Patents: x,xxx,xxx; y,yyy,yyy; z,zzz,zzz" is often used.

The size and location of the mark will depend on the size and nature of the article, but in order to comport with the marking statute's goal of providing notice to the public, the mark must be large enough to be easily read. A mark that can only be seen with the use of a magnifying glass, for example, may be insufficient to comply with the marking statute. *Trussel Mfg. Co. v.*

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Wilson-Jones Co., 50 F.2d 1027, 1030 (2d Cir. 1931).

When to Mark . . .

While it is in a patentee's best interests to have a marking program in place at the time a patent issues, courts have construed the permissive language of the marking statute ("Patentees… *may* give notice to the public") to mean that the patentee is under no obligation to mark a patented article by any particular time after the patent issues. Thus, a patentee may collect damages from an infringer from the point in time at which the patentee was in compliance with the statute. *American Med. Sys.,* 6 F.3d at 1537. Compliance with the statute is achieved when substantially all of the patented articles are marked. *Id.* at 1538. Once a marking program is established, however, it must be "substantially consistent and continuous" in order for a patentee to take advantage of the constructive notice provision of the marking statute. *Id.* at 1537.

And When Not to Mark . . .

It is a violation of federal statute to mark an article with a patent number when inapplicable. The false marking statute penalizes, through monetary fines, "[w]hoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word 'patent' or any word or number importing that the same is patented for the purpose of deceiving the public." 35 U.S.C. § 292. Absent a purpose on the part of the accused to deceive the public, however, there can be no violation of the false marking statute. *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co.*, 786 F.2d 1124, 1125 (Fed. Cir. 1986). Thus, so long as the patentee has a reasonable belief that an article is covered by one or more patents, marking the article will not contravene the false marking statute.

What about an article of manufacture, itself not patented, but sold for the manufacture of and use in a patented combination? While marking the article itself with the patent number of the patented combination would violate section 292, marking the article as "for use under patent, x,xxx,xxx" is appropriate. *Amsted Indus.,* 24 F.3d at 185.

The Bottom Line

A patentee risks a substantial loss (in the form of damages accruing from the moment of infringement) by failing to comply with the marking statute. Thus, an organized marking program is a key aspect of patent protection. Patented articles should be marked consistently over time and across products in a manner which reasonably provides the public with notice of the patent or patents covering the marked article. Design, marketing, and manufacturing departments, among others, should be made aware of the marking requirements of 35 U.S.C. § 287(a) so that plans for marking are in place throughout the product design and production process. Care should also be paid to the wording of license agreements and bills of sale to ensure that licensees comply with the marking statute as well.

Although ideally a patentee would have a marking program in place so that an article is appropriately marked upon issuance of the patent or patents covering the marked article, post-issuance marking can still prevent the loss of significant damages. A periodic patent portfolio review, followed by appropriate additions or changes in the marking of patented articles, will help maximize the damages awarded in a successful patent infringement suit. A patentee, by properly marking patented articles, can set the stage for successful licensing campaigns and lucrative litigation victories.

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Patent Validity Assessments: Your Guide to Avoiding the On-Sale Bar, Part 2

In 1998, the Supreme Court set forth a two-prong test to govern the application of the on-sale bar: "First, the product must be the subject of a commercial offer for sale . . . . Second, the invention must be ready for patenting." *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). Previously, in snippets volume 2, issue 1, we provided guidelines to help you, as inventors and in-house counsel, avoid activities that would satisfy the first prong of the *Pfaff* test. Now we look at how to determine if an invention that was the subject of a commercial offer for sale was "ready for patenting" at the time of the offer under the second prong of the *Pfaff* test.

In *Pfaff*, the Supreme Court provided two scenarios in which the "ready for patenting" prong of its test may be satisfied:

(1) "[P]roof of reduction to practice before the critical date"; or
(2) "[P]roof 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."

Pfaff, 525 U.S. at 67. While, on its face, this prong of the analysis seems very straightforward, there are a few factors that may complicate your analysis.

First, while one of the scenarios provided by the *Pfaff* Court focuses on reduction to practice, in interpreting the statutory language of U.S.C. § 102(b), the *Pfaff* Court interpreted the term "invention" as requiring a complete conception. *Robotic Vision Sys., Inc. v. View Eng'g, Inc.*, 249 F.3d 1307, 1312 (Fed. Cir. 2001); *Pfaff*, 525 U.S. at 66. Reduction to practice is just one way of showing that conception was complete.

The Supreme Court's focus on conception in the on-sale bar determination may move the date by which the invention is "ready for patenting" to a time much earlier than you may have initially anticipated. For example, in *Robotic Vision Systems*, an inventor of a patented method explained his invention to a co-worker and asked the co-worker to write the software to implement this method. While you might consider this a routine event in the development of the invention, the Federal Circuit held that this explanation was an enabling disclosure sufficient to allow the co-worker to understand the invention and write the software needed to implement the method. Thus the court held that the invention was ready for patenting under the *Pfaff* test at the time of this discussion between the co-workers, which was prior to the commercial offer for sale.

Furthermore, as emphasized by the *Robotic Vision Systems* court, this focus on conception does not require that an inventor have complete confidence that his or her invention will work for its intended purpose. "Such confidence often must await a reduction to practice, which is a separate basis on which an invention may be shown ready for patenting." *Id.* at 1312. However, while the Federal Circuit is clearly making a point that a litigation induced "we were not sure it would work" excuse is not an exemption to the on-sale bar, it has also emphasized that "[w]hen development and verification are needed in order to prepare a patent application that complies with [35 U.S.C.] § 112, the invention is not yet ready for patenting." *Space Sys./Loral, Inc. v. Lockheed Martin Corp.*, 271 F.3d 1076, 1080 (Fed. Cir. 2001). Thus while the focus of the second *Pfaff* prong is conception, a conception with-

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The Supreme Court's focus on conception in the on-sale bar determination may move the date by which the invention is "ready for patenting" to a time much earlier than you may have initially anticipated.

out a reduction to practice <u>or</u> an enabling description is not ready for patenting. *Id.*

A second complicating factor in your analysis is that the invention that was offered for sale at the time (and the subject of the *Pfaff* analysis) is compared with the claims that ultimately issued in the patent-in-suit, as construed by a court. In fact, when making a determination of invalidity under 35 U.S.C. § 102(b), a court must first construe the disputed limitations of the claims and then apply the claims to the allegedly invalidating acts. *See Dana Corp. v. American Axle & Mfg., Inc.*, 279 F.3d 1372, 1376 (Fed. Cir. 2002). Unfortunately, at the time of the sale, you, as inventor or in-house counsel, are not privy to these issued claims or the *Markman* ruling.

All too often patentees fall into the trap of comparing the invention at the time of the offer for sale with the final commercial product. Unfortunately, the Federal Circuit has made very clear that it is irrelevant whether or not the product subject to the offer for sale contained all of the features of the final commercial product unless these features are <u>claimed</u>. *See EZ Dock, Inc. v. Schafer Sys., Inc.*, 61 U.S.P.Q.2d (BNA) 1298, 1293 (Fed. Cir. 2002), *STX LLC v. Brine, Inc.*, 54 U.S.P.Q.2d (BNA) 1347, 1350 (Fed. Cir. 2000), *Brassler USA I LP v. Stryker Sales Corp.*, 182 F.3d 888, 891 (Fed. Cir. 1999).

What is your best insurance against having your invention satisfy the ready for patenting test? Do not offer the invention for sale more than one year before the priority date. Because, as the Federal Circuit succinctly pointed out, "without a commercial offer for sale, the timing of which is entirely within the control of the patentee," you never have to address the question of whether or not an invention is ready for patenting. *Robotic Vision Sys.*, 249 F.3d at 1313.

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