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Supreme Court Rules AIA Did Not Alter Meaning of On-Sale Bar

By Grantland G. Drutchas

In a 9-0 decision today, the Supreme Court affirmed the Federal Circuit decision in *Helsinn Healthcare S. A. v. Teva Pharmaceuticals USA, Inc*., 855 F. 3d 1356 (Fed. Cir. 2017). The Supreme Court held that the AIA's revision of 35 U.S.C. § 102 did not change the impact of the on-sale bar on sales that are subject to confidentiality obligations. That is, the Court determined that "the reenactment of the phrase 'on sale' in the AIA did not alter this meaning," and "[a]ccordingly, a commercial sale to a third party who is required to keep the invention confidential may place the invention 'on sale' under the AIA." Slip op. pp. 1-2.

This appeal was hotly contested. For example, in an unusual move, Congressman Lamar Smith, the Chairman of the Committee on the Judiciary of the U.S. House of Representatives during the pendency of the AIA, and the lead sponsor of the bill in the House, submitted an amicus curiae brief arguing that Congress "altered the patent law dramatically" with the AIA, including replacing the word "known" in prior patent statutes (dating back to 1790) with "or otherwise available to the public." As a result, he argued, "the 'novelty' bar [should be limited] to patenting such that the subject matter defined by a claim must now be available to the public." Smith et al. Amicus Curiae Brief, p. 3.

In the end, the Supreme Court gave very little credence to such arguments. For the Court, the situation boiled down to two facts: (1) no one contested the Supreme Court and Federal Circuit pre-AIA precedent finding that the pre-AIA "on sale" language in Section 102 holdings included confidential sales and (2) the AIA used the same "on sale" language Section 102 as the pre-AIA statute. The inclusion of the phrase "or otherwise available to the public" did nothing to change the equation:

> Like other such phrases, "otherwise available to the public" captures material that does not fit neatly into the statute's enumerated categories but is nevertheless meant to be covered. Given that the phrase "on sale" had acquired a well-settled meaning when the AIA was enacted, we decline to read the addition of a broad catchall phrase to upset that body of precedent.

Slip op., p. 8.

Nearly two years before Helsinn filed its first provisional patent application, Helsinn entered into both a license agreement and a supply and purchase agreement with MGI which gave MGI the right to distribute, promote, market, and sell the 0.25 mg and 0.75 mg doses of palonosetron. The agreements required MGI to keep confidential any proprietary information it received under the agreements. Helsinn and MGI announced the agreements in a joint press release, and MGI also reported the agreements in its Form 8–K filing with the SEC.

The Federal Circuit's decision, as the Supreme Court noted, turned on the fact that the sale itself was publicly disclosed. "[The Federal Circuit] concluded that 'if the existence of the sale is public, the details of the invention need not be publicly disclosed in the terms of sale' to fall within the AIA's on sale bar." Slip op. at 4 (citing 855 F.3d at 1371). It is not clear whether such public disclosure of the sale itself is required by the Supreme Court's holding, however. As the Supreme Court noted, "It has long held that 'secret sales' can invalidate a patent." *Id.* at 7 (citing *Special Devices, Inc. v. OEA, Inc.,* 270 F. 3d 1353, 1357 (2001) (invalidating patent claims based on "sales for the purpose of the commercial stockpiling of an invention" that "took place in secret") and *Woodland Trust v. Flowertree Nursery, Inc.*, 148 F. 3d 1368, 1370 (1998) ("Thus an inventor's own prior commercial use, albeit kept secret, may constitute a public use or sale under §102(b), barring him from obtaining a patent")." Indeed, the Supreme Court appeared to place "whether the details of the invention had been made available to the public" or "whether the sale itself had been publicly disclosed" in the same category of irrelevance. Slip op. at 6.

On the other hand, the Supreme Court did leave some wiggle room, holding that such confidential sales "***may*** place the invention 'on sale' under the AIA, Slip op. at pp. 1-2 (emphasis added; "that such a sale ***can*** qualify as prior art," *id.* at 5 (emphasis added); and that such a confidential sale "***can*** qualify as prior art under §102(a)," Slip op. at 9. Thus, it remains to be seen what situations (if any) the confidential sale of a claimed invention may not qualify as prior art.

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The opinion can be found at https://www.supremecourt.gov/opinions/18pdf/17-1229_2co3.pdf.

Grantland G. Drutchas, a founder and current managing partner of McDonnell Boehnen Hulbert & Berghoff LLP, has more than 20 years of experience in the practice of intellectual property law, with a particular emphasis on litigation, licensing, and client counseling. Mr. Drutchas serves as Chair of the firm's PTAB Trials Practice Group, Chair of the firm's Licensing Practice Group and as Chair of the firm's Litigation & Appeals Practice Group. His trial experience includes both jury and bench trials, as well as arguing appeals before the Court of Appeals for the Federal Circuit. drutchas@mbhb.com