THE
NATIONAL LAW REVIEW

On-Sale Bar: Less Clever Way of Saying, Happy Hour? Maybe. Important for Patent Protection? Yes.

Friday, February 22, 2019

If the term "happy hour" in this article's title caught your attention, you may be disappointed by what comes next.

This article is actually about limitations on patent protection, which I would argue is just as attention-grabbing (but I doubt many would agree). Specifically, this article will discuss the on-sale bar and a recent decision from the United States Supreme Court—*Helsinn Healthcare S. A. V. Teva Pharmaceuticals USA, Inc., et al.*

The bar referred to in the phrase "on-sale bar" is not the bar one goes to for an after-work libation. The use of the term "bar" in "on-sale bar" refers to a restriction, *i.e.*, a restriction on sales. Essentially, the on-sale bar precludes an inventor from seeking patent protection for an invention that is already on sale.

WARD AND SMITH, P.A.
ATTORNEYS AT LAW

Article By Ward and Smith, P.A.
Marla S. Bowman News + Insights

Intellectual Property
All Federal

The reason for this you ask? Patent protection provides inventors with a unique monopoly that may allow for significant commercial benefits. Once an invention is patented, only the party with the patent can sell or use that invention. If someone else wants to use it, they have to secure a license, which typically requires payment of a licensing fee. If someone uses the invention without a license, the inventor can hire a litigator to sue and recover the licensing fees that should have been paid in the first place. But with great power comes . . . lots of restrictions and legal nuances.

The rare monopoly of a patent exists to promote innovation. If an inventor dedicates her time and talents toward inventing something, she should be permitted to benefit from that invention without it being immediately copied by a party who did not make the same initial investment of time and resources. But scholars, lawmakers, and judges have determined that this monopoly is not warranted if the invention is already made available to the public prior to the filing of a patent application. The on-sale bar precludes an inventor from providing the public with access to knowledge and information only to then take it away, or make the public pay for it, through patent protection.

Since 1863, some form of the on-sale bar has been in place in the United States. The most recent version was enacted through the America Invents Act ("AIA") in 2011 and is currently found at 35 U.S.C. § 102 (a)(1), stating: " A person shall be entitled to a patent unless . . . the claimed invention was . . . in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention."

So what does the *Helsinn Healthcare* case have to do with any of this? *Helsinn* is the first case to address the meaning of the on-sale bar since 35 U.S.C § 102 was amended via the AIA. In a unanimous decision from the Supreme Court (yes, all nine Justices agreed), the Court held that the AIA amendments did not change the scope or meaning of the on-sale bar. An invention is on sale, and therefore ineligible for patent protection, whenever it is "the subject of a commercial offer for sale."

In *Helsinn*, the party whose patent was at issue argued that it never really sold its technology prior to filing its patent application because it only entered a contract for the sale of that technology subject to a confidentiality provision. There was never a public market in which the technology could be purchased. And the confidentiality provision precluded the technology from being disclosed to the public.

The Court determined that the on-sale bar is not dependent on whether technology is sold in private or subject to a public sale—either way, the technology was "on sale." The Court further stated that even secret sales of new inventions can preclude patent protection if the inventor does not file for patent protection prior to the sale. Accordingly, the on-sale bar precluded patent protection in *Helsinn*.

In light of this ruling, inventors should be careful to avoid commercial transactions involving their inventions prior to the filing of a patent application. Because of the on-sale bar, an inventor's receipt of funds, or perhaps even other benefits, from another party's use of an unpatented invention may preclude that inventor from ultimately receiving patent protection. And for the inventor, that loss of patent protection may very well be a reason to go to a bar after all.