MAY/JUNE 2022

VOLUME 28 NUMBER 3

DEVOTED TO INTELLECTUAL PROPERTY LITIGATION & ENFORCEMENT

Edited by Gregory J. Battersby and Charles W. Grimes

IP Litigator®

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Federal Circuit Report

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Lessons Learned from *Junker v. Medical Components, Inc.* regarding the "On-Sale" Bar and Commercial Offers for Sale Invalidating a Patent

Recently, the Court of Appeals for the Federal Circuit (CAFC) further explained the "on-sale" bar in *Junker v. Medical Components, Inc.*, Case No. 2021-1649 (Feb. 10, 2022). The case hinged on whether a letter between Larry Junker's business partner and Boston Scientific Corporation (BSC) was a "commercial offer for sale" before the one-year grace period took effect. The CAFC held that all necessary terms for a commercial offer were present in the letter, and therefore, the letter qualified as a commercial offer for sale invalidating Mr. Junker's patent.

On-Sale Bar

According to the patent statute, "a person shall be entitled to a patent unless…the invention was…in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States…." Pre-AIA 35 U.S.C. § 102(b).[1]

To trigger the on-sale bar, the invention must:

(1) be the subject of a commercial offer for sale, and
(2) the invention must be ready for patenting.

Pfaff v. Wells Electronics, Inc., 525 U.S. 55 (1998).

Case Background

Mr. Junker filed an application for patent on February 7, 2000 (eventually issuing as Patent Number D450,839) claiming as his invention a new handle to be used for a peelable introducer sheath. In the years leading up to the patent filing, Mr. Junker reached out to companies to manufacture the introducer sheaths including the claimed handles. Mr. Junker met and developed a business relationship with a Mr. Eddings, whose company worked to manufacture Mr. Junker's product. By January of 1999, Mr. Eddings had provided Mr. Junker with the first prototype of the product, which included the claimed handles.

In that same month, Mr. Eddings began communicating with BSC and, in response to a request for a quote from BSC, sent a letter detailing bulk pricing information for various sizes of the claimed product. This letter was sent on January 8, 1999, approximately one year and one month before Mr. Junker's application filing date and, more importantly, one month before the critical date (a grace period extending one-year before the application filing date). The letter additionally stated that the "prices are for shipment in bulk, non-sterile, FOB [free on board] Athens, Texas on a net 30-day basis." Just as important, the letter used the term "quot[e]" on three occasions and invited further discussions on specific requirements that BSC might have.

Analysis

Both parties in the case agreed that the invention was ready for patenting as of the date the letter in question was sent to BSC, which satisfied the second prong of the on-sale bar. Therefore, the CAFC focused their analysis only on the first prong—whether the letter was a commercial offer for sale or, instead, "merely a quotation signaling the parties were engaged in preliminary negotiations." *Junker*, at *9. The CAFC determined that the letter was, indeed, a commercial offer for sale.

So, what counts as a "commercial offer for sale?" Under case law precedent, the court is to apply "traditional contract law principles." *Junker*, at *9 (quoting *Merck & Cie v. Watson Labs., Inc.*, 822 F.3d 1347, 1351 (Fed. Cir. 2016)). A commercial offer for sale is one in which the "other party could make into a binding contract by simple acceptance." *Id.*

In their analysis, the CAFC turned to the Restatement (Second) of Contracts, finding the terms of previous inquiries, the completeness of the terms of the bargain, and the number of persons to whom a communication is addressed as relevant factors in the consideration. Importantly, the CAFC held that the terms of the communication must be considered "in their entirety" to determine whether the communication was an offer or only an invitation for an offer or further negotiations. *Junker*, at *13. The CAFC found that the letter, in its entirety, qualified as multiple offers, any of which BSC could make into a binding contract by simple acceptance. The CAFC found persuasive that the letter stated the listed prices were a "quot[e]" and invited further discussions. However, the court went on to state that "expressing a desire to do business in the future does not negate the commercial character of the transaction." *Junker*, at *11 (citing *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1370 (Fed. Cir. 2007)).

Overall, the CAFC found the letter included pricing, delivery, payment conditions, and standard terms for allocating risk and responsibilities between the parties, all important terms of a commercial offer. The CAFC additionally took focus on the completeness of the terms and that the letter was sent directly to BSC (solely, in contrast to an unsolicited price quote sent to numerous potential customers) in response to a request for quotation from BSC. Although the letter used the term "quot[e]" and spoke of further discussions, the CAFC found the completeness of the terms weighed more in favor that the letter was, in its entirety, a commercial offer for sale, thus invalidating Mr. Junker's patent.

Takeaways

Applicants should be cautious regarding external discussions of future sales of their invention with companies. Even if they are just considered "preliminary negotiations" between the parties, a court may find that the terms of the discussions form a commercial offer for sale if the terms are adequately stated and complete. Expressing a desire to complete the transaction at some future time will not negate a commercial sale either, if the terms are complete. The precedent set by this case shows that the court will take an expansive approach, looking at factors other than just the specific communication to determine if the discussions, in their entirety, are to be considered a commercial offer for sale. As such, it is important that applicants file within the one-year grace period after any such discussions regarding sales of a product take place, even if it is questionable as to whether the discussions would be considered a commercial offer for sale.

This article reflects only the present personal considerations, opinions, and/or views of the authors, which should not be attributed to any of the authors' current or prior law firm(s) or former or present clients.

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1. Although the case was examined under pre-AIA 35 U.S.C. § 102, the analysis is analogous to post-AIA 35 U.S.C. § 102 following the Supreme Court's ruling that the AIA's on-sale bar analysis remains unchanged from pre-AIA (aside from AIA § 102 not requiring that the sale happen "in this country"). *Helsin Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.* 139 S. Ct. 628 (2019). Additionally, even though this case involved a design patent, the on-sale bar of § 102 applies evenly to design, plant, and utility patents and applications.