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Federal Circuit Friday

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When the US Supreme Court hands down a patent law decision, Federal Circuit Friday temporarily becomes "Supreme Court Friday."

On January 22, the Supreme Court decided *Helsinn Healthcare v. Teva Pharmaceuticals,* holding that a sale in which the details of the invention are kept confidential can trigger the "on-sale bar" under 35 USC § 102(a)(1).

In general, the on-sale bar precludes issuance of a patent if the claimed invention was sold or offered for sale prior to the filing of the patent application.[1] The issue in *Helsinn* was whether a change in the language of the statutory on-sale bar provision in the America Invents Act of 2011 ("AIA") substantively changed the scope of the on-sale bar. Here's a comparison of the text of the pre-AIA and AIA versions:

Pre-AIA	AIA
"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 before filing the patent application.	"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 filing the patent application.

The relevant change is that the pre-AIA text presented public use and on sale as simple alternatives, while the AIA version presented public use and on-sale in a parallel series that concluded with the phrase "otherwise available to the public." Helsinn argued that the use of the word "otherwise" in the AIA version modified the preceding members of the series ("public use" and "on sale") to link them into a larger group of things characterized by being available to the public.[2]

Specifically, the "associated words canon" for statutory interpretation provides that "[w]hen several nouns or verbs or adjectives or adverbs – any words – are associated in a context suggesting that the words have something in common, they should be assigned a permissible meaning that makes them similar."[3] Thus, the phrase "otherwise available to the public" defines the common denominator of the series, and the words "on sale" therefore should be interpreted as a form of public availability.[4] On this basis Helsinn argued that "secret sales," those in which the details of the invention are kept confidential, do not trigger the on-sale bar.

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[1] Policy rationales supporting the on-sale bar include preventing *de facto* extension of the patent monopoly where an inventor profits from the invention before filing a patent application, promoting the early filing of patent applications to, in turn, foster disclosure of patented inventions to the public, and avoiding removal of inventions from the public domain. *See, e.g., The Medicines Company v. Hospira*, 827 F.3d 1363, 1372(Fed. Cir. 2016)(en banc).

[2] The primary definition of the word "otherwise" is "in another way; differently," THE AMERICAN HERITAGE DICTIONARY (2ND COLLEGE ED. 1982), such that the AIA version could be interpreted as "in public use, on sale, or in some other way available to the public."

[3] Antonin Scalia & Bryan Garner, READING LAW: THE INTERPRETATION OF LEGAL TEXTS (2012) p. 195 (herein "Scalia & Garner"). *E.g.,* "words grouped in a list should be given related meanings." *Id.*

[4] Scalia & Garner provide the following useful example: "[I]f a statute is said to apply to 'tacks, staples, nails, brads, screws, and fasteners,' it is clear from the words with which they are associated that the word *nails* does not denote fingernails and that *staples* does not mean reliable and customary food items." *Id*. at 196. I would add, similarly, that *brads* does not refer to persons named Brad.

The Supreme Court disagreed. First, the Court pointed to the "settled pre-AIA precedent on the meaning of 'on sale'" in which (i) Supreme Court cases suggested that "a sale or offer of sale need not make an invention available to the public," and (ii) Federal Circuit cases had "long held that 'secret sales' can invalidate a patent."[5] Second, Congress is presumed to legislate against the backdrop of existing precedent such that "we presume that when Congress reenacted the same language [*i.e.,* 'on sale'] in the AIA, it adopted the earlier judicial construction of that phrase."[6] Third, the Court explained that "the addition of 'or otherwise available to the public' is simply not enough of a change for us to conclude that Congress intended to alter the meaning of the reenacted term 'on sale.'"[7]

In direct response to Helsinn's reliance on the associated words cannon, the Court declined to put much weight on the "otherwise" phrase in the AIA version because "[l]ike 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." The Court also noted that the cases cited by Helsinn regarding the associated words cannon did not involve reenactment of statutory language that "had acquired a well-settled judicial interpretation."

In sum, the Supreme Court determined that "[g]iven 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" and held that "an inventor's sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under §102(a)."

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A few closing thoughts:

- The Supreme Court held only that a secret sale "can" trigger the on-sale bar, not that it necessarily does. Confidentiality of a transaction is still one factor to consider in determining whether a commercial sale or offer for sale has occurred.[8]
- Although the Supreme Court acknowledges that the on-sale bar includes offers as well as actual sales, the two explicit statements of the holding refer only to actual sales.[9] Is this meaningful or merely an exercise of restraint in light of the case involving only an actual sale? It's hard to imagine that there would be any difference in result for an "offer" since the Court held that the pre-AIA meaning of "on-sale," which includes offers, prevails under the AIA.
- Regarding policy, the Supreme Court only cited "Congress' reluctance to allow an inventor to remove existing knowledge from public use by obtaining a patent covering that knowledge." It seems odd that the Court did not mention preventing extension of the patent monopoly or encouraging prompt disclosure of inventions to the public via the filing of patent applications since there is no withdrawal of existing *knowledge* from the public domain in those cases where the details of the claim invention are not made public.

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5 Slip op. at 6-7.

6 *Id.*

7 *Id.* at 8.

8 *See, e.g., The Medicines Company v. Hospira*, 827 F.3d 1363, 1372(Fed. Cir. 2016)(en banc)(although "we, and our predecessors, have found confidential transactions to be patent invalidating sales","[i]n this case, however, we find that the scope and nature of the confidentiality imposed on Ben Venue supports the view that the sale was not for commercial marketing purposes.").

9 "a commercial sale to a third party who is required to keep the invention confidential may place the invention 'on sale' under the AIA" and "an inventor's sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under §102(a)." *Id.* at 1-2 & 9.