

ON-SALE BAR COUNSELING
THROUGH THE PRODUCT
DEVELOPMENT AND
COMMERCIALIZATION PROCESS

William J. Harmon, III

Copyright © 2003
All Rights Reserved

Table of Contents

I.	OVERVIEW.....	3
II.	CURRENT STATE OF THE ON-SALE BAR LAW.....	4
	A. Background of the On-Sale Bar.....	4
	B. Ready for Patenting.....	5
	C. Commercial Offer for Sale.....	8
	D. Experimental Use.....	13
III.	APPLYING THE ON-SALE BAR LAW TO PRODUCT DEVELOPMENT AND COMMERCIALIZATION.....	16
	A. The Product Development and Commercialization Process.....	16
	B. Assessing On-Sale Bar Triggers in Each Stage of Product Development and Commercialization.....	20
IV.	CONCLUSION.....	31

**ON-SALE BAR COUNSELING THROUGH THE
PRODUCT DEVELOPMENT
AND COMMERCIALIZATION PROCESS**

William J. Harmon, III¹
Advanced Patent Prosecution Workshop 2003
Claim Drafting and Amendment Writing
Practising Law Institute, San Francisco, CA, June 23, 2003

I. OVERVIEW

The United States patent laws seek to protect the public's right to retain knowledge already in the public domain and the inventor's right to control whether and when an invention may be patented.² This tension is clearly manifested when applying the on-sale bar law to product development and commercialization processes. The on-sale bar terminates an inventor's right to obtain a patent on an invention that is "on sale in this country, more than one year prior to the date of the application for patent in the United States."³ In today's fast moving high technology economy, businesses must balance the following competing interests: 1) rapidly introducing new products with shrinking lifecycles into a public marketplace with narrowing market windows; and 2) securing patent rights in technology innovations embodied in the new products, before an on-sale bar eliminates the right to obtain patent protection.

Businesses must integrate intellectual property planning into their product development and commercialization processes to successfully balance market demands and on-sale bar requirements. At each stage of the product planning process a business should determine: 1) whether business concerns require actions that start the one year on-sale bar clock ticking; and 2) whether to begin the patenting process. This type of proactive intellectual property management enables businesses to eliminate the potential for unknowingly jeopardizing their patent rights.

This article explains the current state of the on-sale bar and steps for managing patent rights at each stage of the product development and commercialization process.

II. CURRENT STATE OF THE ON-SALE BAR LAW

A. BACKGROUND OF THE ON-SALE BAR

The on-sale bar vitiates a person's entitlement to a patent for an invention, when the invention has been on sale in this country more than one year prior to the date of an application for patent in the United States.⁴ The on-sale bar applies when two conditions are satisfied before the critical date, which is the date one year prior to the application for a patent. First, the invention must be the subject of a

commercial offer for sale. Second, the invention must be ready for patenting.⁵

The Supreme Court of the United States established the above-stated standard in *Pfaff v. Wells* — replacing a “totality of the circumstances” test developed by the United States Court of Appeals for the Federal Circuit. The Federal Circuit previously began the one year on-sale bar clock when an invention was substantially complete at the time of sale.⁶ The Supreme Court found that a rule making the timeliness of an application depend on the date when an invention is “substantially complete” seriously undermines the interests of certainty and finds no support in the text of the statute.⁷

The Supreme Court stated that the word “invention” must refer to a concept that is complete, rather than merely one that is “substantially complete.” Reduction to practice provides the best evidence that an invention is complete, but reduction to practice is not necessary in every case. One can prove that an invention is complete and ready for patenting before it has actually been reduced to practice.⁸

B. READY FOR PATENTING

The ready for patenting condition may be satisfied in at least two ways: 1) proof of reduction to practice before the critical date; or 2) proof 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.⁹ An invention is reduced to practice when an actual embodiment is built, including all elements of a claim.¹⁰

In *Robotic Vision Systems v. View Engineering*, the Federal Circuit found an invention was ready for patenting when an inventor's disclosure was sufficiently specific to enable a co-worker, who was skilled in the art, to practice the invention.¹¹ The inventor explained an inventive method to the co-worker and instructed the co-worker to write a software program to implement the method. This explanation was sufficiently specific for the co-worker to understand the invention and create the software.¹²

Similarly in *Weatherchem v. J.L. Clark*, the Court held that drawings of a plastic cap shown to potential customers by Weathercam illustrated a cap with all the structural limitations of a patent's claims. The Court found that the drawings were sufficiently specific to enable a person skilled in the art to practice the invention — rendering the cap ready for patenting.¹³

A bare conception that has not been enabled is not a completed invention ready for patenting.¹⁴ In *Space Systems/Loral v. Lockheed Martin*, the inventor conceived of a complex prebias technique used in a control system for maintaining the position and orientation of a satellite. The

inventor prepared drawings that showed the essential principles of the invention. The drawings included lesser detail than eventually appeared in the inventor's patent application. Space Systems contended that many months of development were required in order to learn the information that was essential to an operable invention. *Space Systems* also contended that the initial drawings did not show an enabled invention.¹⁵

The *Space Systems* Court remanded the case to the lower court for fact finding — instructing the lower court that an invention is not yet ready for patenting when development and verification are needed in order to prepare a patent application that complies with the disclosure requirements of 35 U.S.C. § 112. The fact that a concept is eventually shown to be workable does not retrospectively convert the concept into one that was ready for patenting at the time of conception.¹⁶

In contrast, the *Robotic Vision* Court found that a district court did not err in discounting evidence of inventors' expressed skepticism as to whether an invention would work for its intended purpose.¹⁷ The Court upheld the district court's finding that an invention was ready for patenting when an inventor provided a co-worker with an enabling disclosure of the invention, despite inventor skepticism.¹⁸

The on-sale bar even applies when the parties to an offer or sale do not recognize that the product offered or sold possesses the claimed characteristics of an invention.¹⁹ It is well settled in the law that there is no requirement that a sale offer identify all characteristics of an invention offered for sale or that the parties recognize the significance of all of these characteristics at the time of the offer.²⁰

C. COMMERCIAL OFFER FOR SALE

In *Group One v. Hallmark*, the Federal Circuit reversed a lower court's finding of an on-sale bar, because the lower court found a commercial offer for sale where the communications between Group One and Hallmark did not constitute a formal offer for sale in the contract sense.²¹ The Court found that the Supreme Court's "commercial offer for sale" language in *Pfaff* strongly suggests that an offer must meet the level of an offer for sale in the contract sense. The court discounted as dicta its prior language in *RCA v. Data General*, to the effect that an offer for sale need not rise to the level of a formal offer under contract law principles. The Court stated that applying concepts of contract law implements that broad goal of *Pfaff*, which, in replacing the "totality of the circumstances test," was to bring greater certainty to the analysis of the on-sale bar.²²

The Federal Circuit further held that whether an invention is the subject of a commercial offer for sale is a matter of Federal Circuit law, to be analyzed under the law of contracts as generally understood. Otherwise, a patent could potentially be invalid in one state and valid in another state, based on the two states' contract laws. This result would be incompatible with a uniform national patent system. As a general proposition, the Court will look to the Uniform Commercial Code ("UCC") to define whether a communication or series of communications rises to the level of a commercial offer for sale.²³

Although *Group One* establishes a bright line rule that must be followed, its origin is not as clear. The *Group One* decision focuses heavily on the "commercial offer for sale" language in *Pfaff*, while ignoring other significant language. *Pfaff* states:

First, the product must be the subject of a commercial offer for sale. An inventor can both understand and control the timing of the first commercial marketing of his invention. ... we perceive no reason why unmanageable uncertainty should attend *a rule that measures the application of the on-sale bar of § 102(b) against the date when an invention that is ready for patenting is first marketed commercially.*²⁴

The language emphasized above suggests that the Supreme Court uses the terms "commercial offer for sale"

and “first marketed commercially” interchangeably. This could mean that the Supreme Court triggers the on-sale bar at the first commercial marketing of an invention that is ready for patenting. In most instances, this will start the on-sale bar clock ticking at an earlier time, since product marketing typically precedes product offers and sales. This dilemma may be addressed if the *Group One* standard is eventually considered by the Supreme Court in the context of another matter.

In *Linear Technology v. Micrel*, the Federal Circuit reversed a district court’s finding of invalidity under the on-sale bar.²⁵ Prior to the critical date, LTC distributed preliminary data sheets on a product embodying its invention. LTC also trained domestic and international sales representatives and allowed them to talk to customers about the product. LTC received purchase orders from 4 European customers before the product’s release date. LTC did not book the orders. Instead, LTC entered the orders into its order tracking system as “will-advise” — creating an acknowledgement to the customers that their orders were not booked.²⁶

The Court found that none of the above-identified activities constituted an offer for sale. None of these activities indicated an intent of LTC to be bound, as required for a valid offer. The datasheets and communications were

designed to enable customers to make offers. The training laid the necessary groundwork for future offers.²⁷ With respect to the purchase orders, the Court concluded that LTC did not accept these orders to create a binding contract to sell the product. To accept an offer, the offeree must make a manifestation of assent to the offer. The acknowledgements stating that the orders were not booked showed that the orders were not accepted.²⁸

Even the act of distributing product samples does not necessarily trigger the on-sale bar clock. In *Minnesota Mining and Manufacturing v. Chemque*, a company distributed product samples prior to a critical date. There was no evidence that the company provided any terms with the samples. The Federal Circuit found that providing potential customers with samples of a product, without providing any other terms, is not a commercial offer for sale. The sample recipient could not act in such a way that would create a contract.²⁹

Commercial offers for sale include offers made outside of the public eye. Sales between joint developers trigger the one year on-sale bar clock.³⁰ There is also no supplier exception to triggering the on-sale bar clock. In *Special Devices v. OEA*, the company that developed an invention contracted to have products embodying the invention manufactured by a third party. The third party sold

the products back to the developing company. The sales agreement started the one year on-sale bar time period.³¹ The Federal Circuit, however, leaves some room for avoiding an on-sale trigger. The Court indicated a trigger may not occur when an individual inventor takes a design to a fabricator and pays the fabricator for its services in fabricating a few sample products.³²

The on-sale bar clock also starts in some special circumstances. For an inventive manufacturing process, the clock starts when an inventor offers to sell a product created with the process.³³ The clock can also start when a product embodying an invention is licensed, such as a software program that performs an inventive process.³⁴

However, merely granting a license to an invention, without more, does not trigger the on-sale bar.³⁵ In the case of *In Re John Kollar*, the Federal Circuit reversed a decision of the United States Patent and Trademark Office Board of Patent Appeals and Interferences that held claims unpatentable based on the on-sale bar. Redox and Celanese entered an agreement more than one year prior to a patent application filing for a process for preparing a dialkyl peroxide. The parties agreed to share technology and coordinate their research efforts with the ultimate goal of designing and building a commercial plant capable of

implementing the claimed process to manufacture ethylene glycol.³⁶

The Federal Circuit recognized that the agreement was for the purpose of conducting research and development with a goal to achieving Celanese approval for a commercial plant. The agreement contemplated that resultant products manufactured using the claimed process could potentially be sold. Nowhere in the agreement was there an indication that a product of the claimed process was actually offered for sale. The agreement constituted a license to Celanese under any future patents relating to Kollar's invention.³⁷

The Court found that the right to commercialize the invention granted to Celanese under the agreement in the form of a license was insufficient to bar the claims under the on-sale bar. The Court stated that the agreement did not trigger the on-sale bar, since it did not involve the sale of a product of the claimed process. The agreement only provided Celanese with a license to practice the claimed process and information defining an embodiment of that process.³⁸

D. EXPERIMENTAL USE

A showing that a patentee has publicly used or sold its device prior to the critical date does not necessarily trigger the on-sale bar. Rather, evidence that the public use or sale

of the patented device was primarily experimental may negate an assertion of invalidity.³⁹ Once an invention is reduced to practice, however, a sale or offer to sell the invention is no longer justifiable as experimental use.⁴⁰

In *EZ Dock v. Schafer Systems*, the Federal Circuit vacated a lower court's summary judgment finding that a patent was invalid due to an on-sale bar. The Court held that EZ Dock presented adequate evidence for a reasonable jury to find that the factual predicate for experimental use was satisfied.⁴¹ EZ Dock presented evidence to show that the inventors' sale of a new inventive dock to Mr. Greden was experimental. The dock's inventors were not selling any docks at the time of the sale. Mr. Greden solicited the inventors, who had no sale signs, brochures, or other markings to indicate a dock was for sale. The inventors added free equipment and installation to an already reduced price charged to Mr. Greden. The Court found that these facts raised genuine issues of whether the inventors offered their dock for a commercial sale under market conditions in accordance with *Pfaff*.⁴²

Other actions showed that the inventors' sale was experimental rather than for premature commercial exploitation of their invention. The inventors visited the dock sold to Mr. Greden on several occasions to monitor the dock and make repairs — working to detect and correct flaws

in their invention. Mr. Greden's location provided a superior test platform, because the waters at his location were much rougher than the waters in the inventor's marina. The inventors later changed the pylon shape of their dock design based on their testing and claimed the new shape in their patent — providing a strong indication that the inventors' activities negated any evidence of premature commercial exploitation.⁴³ Experimental use, however, does not apply to experiments performed with respect to non-claimed features of an invention.⁴⁴

In a set of additional views, Circuit Judge Linn identified a number of factors to consider in determining whether a use is commercial versus experimental. These factors include the following: 1) the necessity for public testing; 2) the amount of control over the experiment retained by the inventor; 3) the nature of the invention; 4) the length of the test period; 5) whether payment was made; 6) whether there was a secrecy obligation; 7) whether records of the experiment were kept; 8) who conducted the experiment; 9) the degree of commercial exploitation during testing; 10) whether the invention reasonably requires evaluation under actual conditions of use; 11) whether testing was systematically performed; 12) whether the inventor continually monitored the invention during testing; and 13) the nature of contacts made with potential customers.⁴⁵

III. APPLYING THE ON-SALE BAR LAW TO PRODUCT DEVELOPMENT AND COMMERCIALIZATION

A. THE PRODUCT DEVELOPMENT AND COMMERCIALIZATION PROCESS

The product development and commercialization process includes a series of overlapping stages. In each stage, a company either generates product related documentation or communicates with potential customers about the product. Over time these activities lead to the on-sale bar clock being triggered. Product related documentation eventually advances the product to a point where it is ready for patenting, and customer communications eventually mature into offers to sell the product.

Product development and commercialization cycles vary widely across different industries and between different companies. A typical product development and commercialization process may include the following stages:

Market Research: Marketing personnel identify and investigate a target market segment that their company wishes to penetrate with a new product. The marketing people identify the applications the product must serve and the desired end-user functionality of the product. Potential

customers and industry affiliates serve as sources for the information being gathered.

Initial Product Definition: Technical personnel begin high level definition of the product, based on the market research. The definition identifies technologies the company must develop to support the desired end-user functionality of the product. The definition also provides an architectural level description of the product — specifying the product’s interface to customer applications and internal interfaces between building blocks within the product. For example, the product definition for a microprocessor may specify the processor’s data and I/O interfaces, as well as a programming instruction set. The definition also describes the processor’s architecture, including the way processor components operate and interact with each other.

Product Definition Feedback and Beta Site Recruitment: The marketing and technical efforts merge together when aspects of the product definition are disclosed to potential customers for feedback. The company shares details about the product’s features and operation with select customers for the purpose of ensuring that the product meets customer needs. The company also identifies the customers with the best potential for being early adopters of the new product and providing early evaluations of the product. The company approaches these customers about the possibility of

being beta sites for evaluating an initial version of the product. In return for performing product evaluations, the company may provide the beta sites with some type of compensation, such as an advance opportunity to purchase the product and price reductions. The feedback stage and product definition stage frequently overlap. The company revises the product definition based on customer feedback and seeks further feedback on the revisions.

Initial Product Design: The company starts designing portions of the product as their definitions are finalized. The design, product definition, and feedback stages all operate together iteratively. Finally, the company signs off on a final product definition, and the design work results in a final design for the defined product. As part of the design process the company may create many different documents, including block diagrams, computer models, schematics, blue prints, source code, flow charts, and other technical documentation embodying the product. Working models of the product may be developed in some instances.

Initial Manufacturing: The company manufactures initial versions of the product based on the product design. Companies outsource product manufacturing in some cases.

Beta Site Product Evaluation: The company supplies an initial version of the manufactured product to the beta sites, which evaluate the product for its intended purpose

in their applications. In some instances, each beta site has a different application for the product, so the product can be tested in a variety of environments. For example, a company supplying a microprocessor may have one beta site employing the processor in a laser printer and another beta site employing the processor in a networking bridge. Company representatives work closely with the beta sites to monitor the product's performance — identifying and correcting aspects of the product that are unsatisfactory.

Revising and Finalizing Product Design: The company makes revisions to the product's designs in response to discoveries made during beta site evaluation — correcting errors and enhancing performance. The design revisions may occur concurrent with the beta site evaluations. As in the initial design phase, the company generates computer models, schematics, blue prints and other technical documentation embodying the revised product.

Merchandising: At some point during the beta site evaluation and design revision, the company starts building the necessary infrastructure for promoting the new product to the general customer base. The company establishes a distribution channel for the product — contacting and securing relationships with distributors, retailers, value added resellers (VARs), and original equipment manufacturers (OEMs). Each link in the distribution channel may contain

both traditional and e-commerce components. The company also prepares and distributes materials for appealing to the distribution channel and customer base, such as product training materials and presentations, product brochures, data sheets, product simulation modules, application notes, and price lists. The required infrastructure for some products is so great that the merchandising effort begins very early in the process.

Soliciting and Accepting Offers for the Final Product: At some point, the merchandising effort evolves to include a sales component. The company's sales force actively solicits orders from the distribution channel and customer base. The company may provide offers to sell the product through a variety of mediums, including face-to-face contact, web sites, and traditional advertising.

Volume Manufacturing: After the product design is finalized, the company begins manufacturing the product in volume to support demands from the distribution channel and customer base. The first stage of production may focus on meeting the production needs of the beta site customers, with volume increasing as product demand increases.

**B. ASSESSING ON-SALE BAR TRIGGERS
IN EACH STAGE OF PRODUCT
DEVELOPMENT AND
COMMERCIALIZATION**

Managing the on-sale bar issue requires an evaluation of whether the bar is triggered in each stage of the product development and commercialization process. By recognizing a trigger, a company can prevent the one year period for obtaining patent rights from unknowingly lapsing. The actions taken by the company's product developers dictate when an invention meets the standard of being ready for patenting. The company's sales and marketing efforts dictate when the product embodying an invention meets the standard of being the subject of a commercial offer for sale. The on-sale trigger occurs when the ready for patenting standard and commercial offer for sale standard are both met.

In addition to recognizing when an on-sale bar is triggered, a company can work towards delaying and avoiding a trigger. A company typically forestalls an on-sale trigger by delaying offers for sale, as opposed to slowing product definition and design. The company faces the tension of whether the business related benefits of triggering the one year on-sale bar time period outweigh the cost of having the time period triggered. A customer's demand for a sales offer or the need to close a sale and secure a revenue stream can be compelling reasons for allowing an on-sale bar time period to be triggered.

The cost of triggering the on-sale bar time period is not very high. It merely requires filing a patent application within one year of the trigger event. Taking the following proactive steps during a product's development and commercialization makes filing a timely application easy: 1) identify inventions related to the product as soon as they are conceived; 2) select the inventions to be patented and begin the patent preparation process; 3) recognize any commercial offer for sale of the product and docket one year from the offer as the deadline for filing the patent application.⁴⁶

The costs of triggering the one year on-sale bar time period only become high when the company fails to recognize that the one year clock is ticking. If this happens the cost can be the loss of patent rights. A company can avoid the high cost of losing patent rights by taking appropriate steps in each stage of product development and commercialization.

Market Research: The goal at this stage is to recognize areas in which patent protection may enable the company to gain a comparative advantage over its competitors. Marketing personnel should identify the unique features their product needs to differentiate itself from competing products. The existence of these features in the product and the detailed implementations of these features become initial candidates for patent protection. Gaining

patent rights for this subject matter will create barriers to entry and transform the company's intellectual capital into financial assets. Identifying features for patenting at this stage informs the product definition and design team that its work in these areas should be documented and disclosed to patent counsel. Additionally, marketing people become more aware that they must be sensitive in their future communications about these features with potential customers.

Initial Product Definition: As product definition progresses some of the inventions may become ready for patenting. The description of the product's operation and architecture may be sufficient to teach one of ordinary skill in the art how to practice an invention relating to the product's operation and architecture. In *Robotic Vision*, an inventor merely described an inventive process to a co-worker, so the co-worker could write software to implement the method. The Court found the description sufficient to make the invention ready for patenting. As the Court also expressed in *Robotic Vision*, the invention is ready for patenting even if the inventor is skeptical about whether it will work for its intended purpose. In order to preserve patent rights, the company should start the patent process for the high level inventions appearing in the product definition.

As part of the patent process, the inventors should fill out and submit invention disclosure forms to their in-house or outside counsel. In an invention disclosure, an inventor should: 1) describe the invention; 2) identify the date of the conception and description; 3) identify any prior and upcoming public disclosures of the invention; 4) identify any prior and upcoming offers or sales for products containing the invention; 5) identify the closest prior art; and 6) provide a dated signature. Patent counsel and company representatives then work together to identify the disclosed inventions that will provide the company with comparative advantage if protected by a patent. For each of the identified inventions, patent counsel should begin preparing a patent application.

Additional inventive concepts often arise during product definition, such as inventive ways of implementing the product's architectural building blocks. Most of these new concepts will not yet be ready for patenting, since they will only be in the conception state. As the Court held in *Space Systems*, potential inventions are not ready for patenting when they require further development and verification before a patent can be prepared with an enabling disclosure. The new inventive concepts will be further explored and refined during the design phase where they will

be documented in schematics, computer models, source code or some other medium — rendering them ready for patenting.

Product Definition Feedback and Beta Site Recruitment: When recruiting the beta sites, clearly indicate in writing that they need to facilitate the testing of certain features in the product. These features must include the inventive features, because only evaluation of features for patenting will forestall the start of the on-sale bar clock. This documentation will be useful to show that a beta site's use of the product during evaluation was for experimental purposes and not a commercial exploitation of the product. This will be especially beneficial if the beta site pays for the products it evaluates, as in *EZ Dock*.

In return for providing feedback or agreeing to be a beta site a customer may want some type of guarantee on future pricing and delivery of the product. If possible, marketing personnel should attempt to separate the future sale agreements from the beta site process. Explain to beta sites that there are only a select few customers working at their level and they will be in a small group of customers allowed to order the part in its early stages. Tell them that orders cannot be accepted at this stage. Return any orders they do make with an indication that the order was not accepted. In *Linear Technology*, this course of action avoided an on-sale bar trigger.

Entering an agreement for future product sales at this time will trigger an on-sale bar period for the product definition inventions now ready for patenting. If business concerns dictate that the company must enter these agreements, then the patent process has a deadline for completion that extends one year from the sale offer. Additional one year patenting deadlines will automatically materialize as implementation level inventions are made ready for patenting in the design stage, since an offer for sale already exists.

Initial Product Design: The implementation level concepts identified in the product definition stage are now ready for patenting. In fact, every invention in the product is ready for patenting when the design is complete. The documentation of the design, such as schematics or source code, serves as a description sufficient to teach one of ordinary skill in the art how to practice the invention. Any models of the design may also serve as a reduction to practice of the inventions they embody. The patent process, as described above, should be initiated for the new inventions.

The design team should also carefully review the design to identify any latent inventions that have not yet been identified. This is significant, because neither the company nor its customers need to know that an invention is present in

the product for the invention to be offered for sale. (*See Abbott Laboratories v. Geneva Pharmaceuticals* in endnotes 19 and 20 of this article.)

Initial Manufacturing: Initial manufacturing reduces to practice the inventions embodied in the design for which no further evaluation or revision is needed — making these inventions ready for patenting. After this stage, commercially offering the product for sale triggers the on-sale bar period for every invention reduced to practice. (*See RCA v. Data General* in endnote 40.) If the company has not already taken all of the steps recommended for the design stage, those steps should be completed now.

If the product was jointly developed with another party, sales of the manufactured product between the joint developers can trigger a “commercial offer for sale.” (*See Brasseler v. Stryker* in endnote 30.) If the company contracts its product manufacturing from an outside supplier, a “commercial offer for sale” can occur. In *Special Devices*, the Court found an on-sale bar trigger where the party that designed a product contracted with another party to manufacture the product and sell it back.

The company should limit the manufacturing volume to the number of products required solely for evaluation purposes and clearly state in a contract that the manufacturer is providing a fabrication service. This type of scenario may

fall within the potential exception articulated by the Court — an individual inventor taking a design to a fabricator and paying for fabrication services to obtain a few samples.

Beta Site Product Evaluation: The evaluation should be conducted so that it is an experimental use of the product's inventive features, as opposed to a commercial exploitation of the product. The beta sites and company providing the product should agree on the evaluation procedures. The evaluation procedures should also be memorialized in a document signed by the beta sites and the company, with the stated purpose of the evaluation being the testing of the product's patentable features.

In managing the beta site evaluation, the goal is to create an evaluation environment that meets the experimental use factors, as listed in the *EZ Dock* additional views. This interest can be further by the following actions:

1. Have the beta site perform testing that cannot be performed by the company that developed the product.
2. Exercise control over the beta site's experiment or at least be involved in the experiments.
3. Make sure the evaluations are directed to the product's patentable features.

4. Limit the evaluation period to the time necessary to test and correct the patentable features.
5. Provide the beta sites with sample products free of charge. If the company must charge for the beta site products only charge a reduced price.
6. Have each beta site enter a nondisclosure agreement that requires it to keep the existence and results of the evaluation secret.
7. Keep detailed records of the evaluation.
8. Become actively involved in the experiments performed by the beta sites.
9. Don't exploit the product commercially during the beta site testing period.
10. Select beta sites that will test the product in an environment where the product will be in use by the general customer base. Ensure that this environment is not available to the company without the beta site's assistance.
11. Perform the testing systematically.
12. Continually monitor the invention during beta site testing.
13. Treat the beta site as an evaluation partner, as opposed to a general customer.
14. Document that the above actions were taken.

After the beta site evaluation is complete, evaluate whether the beta site evaluation actually proceeded as an experimental evaluation or a commercial exploitation. If it appears that the beta site evaluation did not conform to the above list of actions, the one year on-sale bar clock has been triggered.

Revising and Finalizing Product Design: At this point, the patent process should be underway for most of the product’s inventions that were selected for patenting. The exception may be those inventions that needed further verification and development in the beta site phase, as well as any new inventions arising out of design changes made from beta site testing. These inventions should be placed in the patent pipeline.

Merchandising: In order to avoid an on-sale bar trigger at this stage the company must refrain from contractually offering the product for sale and reject unsolicited customer orders. The merchandising efforts may result in the company publicly distributing datasheets, product brochures, and other product related materials. The company may also provide product training to the distribution channel and make additional public disclosures. As seen in *Linear Technology*, these activities don’t trigger the on-sale bar clock under the narrow *Group One* “commercial offer for sale” standard — requiring an offer for

sale in the contract sense. The public merchandising activity, however, represents commercial marketing that would likely trigger the bar under the old totality of the circumstances standard.

Soliciting and Accepting Offers for the Final Product: The company now makes commercial offers for sale in the contractual sense — triggering the on-sale bar period for every invention in the product that is ready for patenting. The company must make sure patent applications covering these inventions are filed within the one year grace period.

Volume Manufacturing: The volume manufacturing of the product eliminates any doubt about whether an invention in the product is ready for patenting. The manufacturing reduces every invention to practice. The ready for patenting standard, however, was most likely met when design was complete.

If product manufacturing is contracted out to another party, an agreement to sell the manufactured products back to the company or anyone else is a commercial offer for sale.

IV. CONCLUSION

A product containing inventions that are ready for patenting will be offered for sale at some point in the product development and commercialization process. Preserving

patent rights in these inventions requires proactively managing the process, so the one year on-sale bar time period is not unknowingly triggered. A company that developed the product ensures that product related patent applications are timely filed by controlling and recognizing when an invention is ready for patenting and commercially offered for sale.

¹ Mr. Harmon is a founding partner of Vierra Magen Marcus Harmon & DeNiro LLP, 685 Market Street, Suite 540, San Francisco, California 94105. Mr. Harmon graduated from Santa Clara University School of Law in 1995 and has been practicing intellectual property law since 1995. He has BSEE and MBA degrees from Santa Clara University. Mr. Harmon can be contacted via e-mail at wharmon@vmmhd.com.

² *Wayne K. Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 65, 142 L. Ed.2d 261, 119 S. Ct. 304 (1998).

³ 35 U.S.C. § 102(b).

⁴ *Id.*

⁵ *Pfaff*, 525 U.S. at 67.

⁶ *Id.* at 60.

⁷ *Id.* at 65-66.

⁸ *Id.* at 66.

⁹ *Id.* at 67-68.

¹⁰ *RCA Corporation v. Data General Corporation*, 887 F.2d 1056, 1061 (Fed. Cir. 1989).

¹¹ *Robotic Vision Systems, Inc. v. View Engineering, Inc. and General Scanning, Inc.*, 249 F.3d 1307, 1313 (Fed. Cir. 2001).

¹² *Id.* at 1311.

¹³ *Weatherchem Corporation v. J.L. Clark, Inc.*, 163 F.3d 1326, 1330 and 1333-1334 (Fed. Cir. 1998).

¹⁴ *Space Systems/Loral, Inc. v. Lockheed Martin Corporation*, 271 F.3d 1076, 1080 (Fed. Cir. 2001).

¹⁵ *Id.* at 1077-1080.

¹⁶ *Id.* at 1080-1081.

¹⁷ *Robotic Vision*, 249 F.3d at 1312-1313.

¹⁸ *Id.*

¹⁹ *Abbott Laboratories v. Geneva Pharmaceuticals, Inc. and Novopharm Limited and Invamed, Inc.*, 182 F.3d 1315, 1319 (Fed. Cir. 1999).

²⁰ *Id.*

²¹ *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1045 and 1049 (Fed. Cir. 2001).

²² *Id.* at 1047.

²³ *Id.* at 1047.

²⁴ *Id.* at 67 (emphasis added).

²⁵ *Linear Technology Corporation v. Micrel, Inc.*, 275 F.3d 1040, 1056 (Fed. Cir. 2001).

²⁶ *Id.* at 1044-1046.

²⁷ *Id.* at 1050-1051.

²⁸ *Id.* at 1052-1053.

²⁹ *Minnesota Mining and Manufacturing Company v. Chemque, Inc. and Thomas & Betts Corporation*, 303 F.3d 1294, 1308 (Fed. Cir. 2002)

³⁰ *Brasseler, U.S.A.I, L.P. v. Stryker Sales Corporation and Stryker Corporation*, 182 F.3d 888, 890 (Fed. Cir. 1999).

³¹ *Special Devices, Inc. v. OEA, Inc.*, 270 F.3d 1353, 1354-1356 and 1358 (Fed. Cir. 2001).

³² *Brasseler*, 182 F.3d at 891.

³³ *The D.L. Auld Company v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147-1148 (Fed. Cir. 1983).

³⁴ *Group One*, 254 F.3d at 1053 (additional remarks).

³⁵ *In Re John Kollar*, 286 F.3d 1326, 1331 (Fed. Cir. 2002).

³⁶ *Id.* at 1328-1329.

³⁷ *Id.* at 1330.

³⁸ *Id.* 1331 and 1333.

³⁹ *Monon Corporation and Rosby Corporation v. Stoughton Trailers, Inc.*, 239 F.3d 1253, 1258 (Fed. Cir. 2001).

⁴⁰ *RCA*, 887 F.2d at 1061.

⁴¹ *EZ Dock, Inc. v. Schafer Systems, Inc.*, 276 F.3d 1347, 1353-1354 (Fed. Cir. 2002).

⁴² *Id.* at 1352.

⁴³ *Id.* at 1352-1354.

⁴⁴ *Id.* at 1353.

⁴⁵ *Id.* at 1357 (additional views).

⁴⁶ There are many factors that can cause the deadline for filing a patent application to precede the deadline for avoiding an on-sale bar. For example, international filing requirements can require a patent application to be filed prior to any type of enabling public disclosure. This article focuses solely on the requirements imposed by the on-sale bar provision in the United States patent laws.