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To preserve patent rights, avoid offers for sale

Appeals court clarifies what constitutes putting an invention "on sale"

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Offering a product for sale prior to applying for a patent could ultimately bar a patent application, and consequently, patent protection.

Once a product is described in a printed publication, or is in public use or on sale in the U. S., the clock starts running on the patent application process. The patent must be applied for within one year or the product cannot be patented. Without patent protection, the product becomes fair game for competitors.

The cost of the patent application process often forces companies to carefully examine product ideas and guess which will develop into successful products. A business often cannot apply for a patent on every new idea. But trying to guess which product ideas are likely to generate a profit can be even more difficult. Sometimes, it makes sense to wait until the idea progresses to a prototype and finally, a marketable product, before deciding whether to apply for a patent. In other cases, it might be wise to wait until a product is introduced on the market to gauge consumer reaction.

However, when a manufacturer waits to file a patent application, certain events could trigger the start of the one-year period in which an application must be filed.

In the U. S., a patent must be applied for within one year of the date of any of the following events:

- The publication of a description of the idea anywhere in the world;
- The public use of the product in the U. S.
- Placing the product on sale in the U. S.

The description of an idea can be published in several forms. For example, it may appear in sales literature, advertising, a website or news stories prior to commercial introduction. Producers of custom products are particularly susceptible to problems involving communications with customers about new inventions. Once a product idea is communicated outside of a company, whether to generate orders or gauge consumer reaction, the invention may be considered to be in public use.

Problems might also occur when a manufacturer is approached with a particular product need. The company's engineers might prepare one or more design solutions, and the customer may choose to proceed with only one of those solutions. The solution not selected might also be patentable if a suitable customer is found. But how can disclosure of that idea be prevented until it is sold?

A written confidentiality agreement, executed by the customer, can prevent public disclosure of the unused inventions or ideas. However, the manner in which the designs are presented to the customer can determine whether each design has been placed "on sale." Once a design is "on sale," the one-year patent application period is triggered, even if the offer is confidential.

In June, the Court of Appeals for the Federal Circuit clarified the standard for an offer for sale. In **Group One v. Hallmark Cards**, the court stated that it would look to the Uniform Commercial Code (UCC) to determine whether a communication rises to the level of a commercial offer for sale. Under patent law, the court

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said, "Only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale."

To avoid the impression that an invention is for sale, manufacturers can make some fairly simple modifications to written documents, and spoken communications. When discussing a new idea or product:

- Do not use the terms "I offer" or "I promise."
- State in all written correspondence, "This is not a commercial offer under the Uniform Commercial Code."
- In spoken communications, emphasize that the company is not making a commitment to provide the product, or provide the product at a particular price.

Product tests and clinical trials, especially those in which funds change hands, present a special case. Consult with counsel to structure such transactions to avoid being construed as sales.

Once a product has been sold, the existence of an offer for sale will be assumed. Therefore, it is important to maintain records of the dates of product sales to determine when the one-year application period began to run.

By employing a cautious approach to communication with customers and consumers, manufacturers buy the time needed to evaluate the commercial prospects of an invention. However, the evolving patent law system makes it advisable to check with a patent attorney within one year of the conception of an invention. The patent attorney can determine when it will be necessary to file a patent application.

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