
A Secret On Sale: When Trade Secrecy and Invention Disclosure Collide

March 21, 2024

You have invented a process for manufacturing a high-potency artificial sweetener. You are now faced with a critical business decision: how do you protect your intellectual property? You could keep your process a closely guarded secret—benefiting from trade secret protection potentially forever—at the constant risk that a competitor may legally reverse engineer or independently discover your invention. Alternatively, you could apply for a patent and, if it is granted, enjoy a term-limited exclusive right to your invention at the significant trade-off of disclosing your invention to the public. Could you benefit from both trade secret and patent protection?

On March 4, 2024, the Federal Circuit heard oral arguments in *Celanese International Corp. et al. v. International Trade Commission*, an appeal bearing on this question, with the potential to affect the way IP rights holders weigh choosing between patent or trade secret protection, or both, for their intellectual property.

Celanese’s “Secret Sales”

Celanese International Corporation (Celanese) no doubt contemplated the choices above after inventing a process for manufacturing artificial sweetener acesulfame potassium (Ace-K). Celanese initially kept its Ace-K manufacturing process a trade secret while placing the resulting sweetener product into the market. Later, more than a year after first commercializing its Ace-K sweetener, Celanese sought and was eventually granted multiple patents for its previously secret manufacturing process. In 2020, Celanese discovered that Anhui Jinhe Industrial Co. (Jinhe), a Chinese manufacturer, was allegedly infringing Celanese’s Ace-K patents, and it filed suit in Delaware.¹ Celanese’s D. Del. action was soon stayed, after the International Trade Commission (ITC) instituted

¹ *Celanese Int’l Corp. v. Anhui Jinhe Indus. Co.*, No. CV 20-1775-LPS (D. Del.).

a related investigation based on Jinhe's importation into the United States of Ace-K sweetener purportedly manufactured using Celanese's claimed processes.²

In January 2022, ITC Administrative Law Judge (ALJ) Clark Cheney granted Jinhe's motion for summary determination, finding all of Celanese's asserted claims invalid based on Celanese sales of Ace-K sweetener that triggered the on-sale bar provision of 35 U.S.C. § 102(a)(1). ALJ Cheney determined that "it is well-settled that a patentee's sale of an unpatented product made according to a secret method trigger[s] the on-sale bar to patentability."³ Celanese appealed ALJ Cheney's decision to the Federal Circuit, which heard argument on March 4. Before discussing Celanese's appeal further, a bit of context on the interplay between trade secrets and patents is helpful.

The Relationship Between Trade Secrets and Patents

The Supreme Court succinctly summarized the relationship between trade secrets and patents in its *Kewanee* decision nearly 50 years ago: "Trade secret law and patent law have co-existed in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other."⁴ Though long-standing, the relationship between these two IP regimes reaches peak tension on the issue of disclosure. A foundational building block of US patent law is the question of whether a claimed invention is novel or obvious over the existing body of technology known to the public. That is, has someone previously disclosed a reference (i.e., prior art) that is evidence that the claimed invention is not novel after all? If so, the later-claimed invention is deemed unworthy of patent protection. By contrast, secrecy lies at the core of trade secrets. Once that secrecy is lost outside the sphere of contractual or implied confidentiality obligations, so is the trade secret's value and, consequently its legal protection.

Owners of IP eligible for trade secret and patent protection are thus faced with weighing the relative benefits and pitfalls of relying on either IP regime to protect their inventions. A non-exhaustive list of the many considerations that can factor into this decision includes (1) the immediate and longer-term commercial value (and thus associated risk of loss) of the invention; (2) the significant cost and complexity of the patent application process and required patent maintenance fees compared with the absence of analogues for trade secrets; (3) the stronger protection and recognition conferred by a government-issued patent that is easily identifiable and researchable by would-be copycats; (4) the unabating danger posed to a trade secret by reverse engineering, independent discovery and loss of secrecy; (5) the relatively brief life span of a patent compared with a trade secret's potentially indefinite term; (6) the potential increased cost (if any) of measures to protect trade secrets; and (7) the broader scope and flexibility of trade secret eligibility requirements.

Celanese's Appeal Before the Federal Circuit

² *Certain High-Potency Sweeteners, Processes for Making the Same, and Products Containing Same*, ITC No. 337-TA-1264.

³ *Id.*, Initial Determination for Summary Determination, at 5 (Jan. 11, 2022).

⁴ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974).

Celanese appealed ALJ Cheney’s decision that Celanese’s claims were invalid. As framed by Celanese, the question before Judges Jimmie V. Reyna, Haldane Robert Mayer and Tiffany P. Cunningham was “whether, under the Leahy-Smith America Invents Act (AIA), the sale of a product made by a secret process invalidates a subsequently filed patent on the process by placing the process ‘on sale.’”⁵

Celanese argued the answer is an unequivocal “no” because regardless of the court’s prior interpretation of the pre-AIA on-sale provision, the current on-sale provision requires that the “claimed invention”—not the product made by the claimed invention—be placed on sale for the on-sale bar to apply.⁶ According to Celanese, it had never put its secret Ace-K manufacturing process on sale, just the resulting sweetener, and thus had not made a sale that triggered the § 102(a) on-sale bar.⁷ Celanese noted that Congress had elsewhere in the AIA expressly addressed sales of the product of a claimed invention, indicating Congress affirmatively chose not to do the same in 35 U.S.C. § 102(a).⁸ Celanese also asserted that *Helsinn*—a recent Supreme Court decision on the meaning of “on sale”—was not on point here and did not require the ALJ to apply the AIA’s on-sale provision.⁹ Further, Celanese contended that the pre-AIA cases—based in a “forfeiture theory”—including *Metallizing*,¹⁰ *D.L. Auld*¹¹ and *W.L. Gore*,¹² were no longer apposite in the AIA world given the changes to 35 U.S.C. § 102.¹³ Celanese particularly focused on how the transformation of 35 U.S.C. § 102 included a new term, “claimed invention”:

Pre-AIA 35 U. S. C. § 102(b)	AIA 35 U. S. C. § 102(a)(1)
“A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or 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.” (Emphasis added.)	“A person shall be entitled to a patent unless . . . the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention. ” (Emphasis added.)

In reply, the ITC argued that the Supreme Court’s recent decision in *Helsinn* controls and supports ALJ Cheney’s decision invalidating Celanese’s claims.¹⁴ In *Helsinn*, the Court held that Congress did not mean to “alter the meaning of ‘on sale’ when it enacted the AIA,” meaning that the Court’s and Federal Circuit’s pre-AIA precedent interpreting what it means for an invention to be “on sale” in

⁵ *Celanese Int’l Corp. v. International Trade Commission*, Celanese Op. Br. at 1, 2022-1827 (Dkt. 15).
⁶ *Id.* at 14 (“The plain language and structure of 35 U.S.C. § 102 . . . compel a single conclusion: under the AIA’s on-sale provision, sales of products made by a secret process do not invalidate patent claims on the process.”).
⁷ *Id.*
⁸ *Id.* at 18–21 (discussing references to product sales in 35 U.S.C. § 271 and § 273).
⁹ *Id.* at 42–45 (distinguishing *Helsinn* by noting that the claimed invention was on sale whereas here the claimed invention (Celanese’s process for producing Ace-K) was not).
¹⁰ *Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516 (2nd Cir. 1946).
¹¹ *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144 (Fed. Cir. 1983).
¹² *W.L. Gore & Assocs., Inc. v. Garlock*, 721 F.2d 1540 (Fed. Cir. 1983).
¹³ Celanese Op. Br. at 5–8.
¹⁴ *Celanese*, ITC Resp. Br. at 6, 2022-1827 (Dkt. 26) (discussing *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.*, 139 S. Ct. 628 (2019)).

*Pfaff*¹⁵ and its progeny continued to control. That is, a patentee may not extend its patent monopoly by exploiting an invention before applying for a patent, including by keeping a manufacturing process secret but placing products resulting from that process on the market.¹⁶ Jinhe, as intervenor, submitted its own brief supporting the ITC’s position.¹⁷ In its brief, Jinhe responded to Celanese’s argument that *Helsinn* was inapplicable because that case involved the secret sale of a patented *product*, not a secret patented *process*: “The rule that a patentee’s sale of a product made using a secret process triggers the on-sale bar is just as well established as the rule at issue in *Helsinn* (if not more so) and nothing in the AIA suggests that Congress intended to abrogate that rule.”¹⁸

During oral arguments, Judge Reyna questioned the ramifications of allowing Celanese to benefit from trade secret protection followed by patent protection for its Ace-K manufacturing process: “Doesn’t your argument [Celanese] lead us to a point where we begin to move away from the foundation for exclusivity? . . . [I]f the process remains secretive, but yet you get to continue selling products made by that process, you have advantage of exclusivity, but you haven’t dedicated anything to the public.”¹⁹

Potential Impact and Recommendations

The Federal Circuit’s decision in *Celanese* is not expected for months, but IP rights holders can expect practical guidance from this pending case.

A decision holding that Celanese’s sales of its Ace-K sweetener did not trigger the on-sale bar would clarify that the *Metallizing* paradigm—a Second Circuit 1946 pre-AIA case—is not the appropriate framework under the AIA. Under such a holding, Congress’s intention to harmonize US patent law with patent systems throughout the world would mean that the AIA on-sale provision covers only offers to sell claimed inventions, not offers to sell products made using claimed inventions. According to the ITC’s and Jinhe’s arguments, a decision that the on-sale bar was not triggered would be a departure from decades-old precedent in *Metallizing*,²⁰ *Pfaff*²¹ *D.L. Auld*²² and their progeny that are still positively cited today²³ holding the on-sale bar to apply when a patentee sells a product made using a novel process, regardless whether that process has been kept secret while the product was commercialized.

Should the Federal Circuit determine that Celanese’s “secret sales” did not trigger the on-sale bar, IP rights holders considering similar pre-patent application sales should carefully draft documents

¹⁵ *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998).

¹⁶ *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147–48 (Fed. Cir. 1983).

¹⁷ *Celanese*, Jinhe Resp. Br., 2022-1827 (Dkt. 31).

¹⁸ *Id.* at 1–3.

¹⁹ *Celanese*, Oral Argument at 13:13-14:01 (Reyna, J.) (Mar. 4, 2024).

²⁰ *Supra* note 10.

²¹ *Supra* note 15.

²² *Supra* note 11.

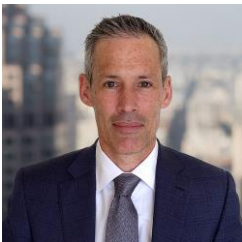
²³ *E.g.*, *BASF Corp. v. SNF Holding Co.*, 955 F.3d 958, 969 (Fed. Cir. 2020); *Quest Integrity USA, LLC v. Cokebusters USA Inc.*, 924 F.3d 1220, 1227–28 (Fed. Cir. 2019).

evidencing those sales to clearly indicate that the subject of a sale is the *product* and not the underlying manufacturing process. IP rights holders should also carefully consider whether the product that they are placing on sale allows others to reverse engineer or otherwise deduce the underlying secret manufacturing process.

If the Federal Circuit concludes that Celanese's secret sales did trigger the on-sale bar (i.e., that a prior sale of a product can invalidate a later patent on the process used to make that product), IP rights holders should carefully weigh the merits of filing patent applications pre-sale on both their product and the underlying manufacturing process. Rights holders would do well to consider the various business and legal factors (noted earlier in this publication) that make the decision to protect IP by agreeing to the patent bargain requiring disclosure or relying on trade secrecy unique to each invention.

WilmerHale has extensive experience in connection with IP matters and counseling clients on patent and trade secret protection. Please reach out to the contacts below with any questions.

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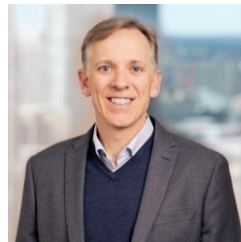


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