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Offers to Sell Under U.S. Patent Law

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What does it mean to be "on sale" and what is an "offer for sale?" Under Section 102(b) of the United States Patent Statute, one cannot obtain a patent on an invention if the invention was "on sale in this country more than one year before the date of the application for patent in the United States."

In a recent decision, Group One, Ltd. v. Hallmark Cards, Inc., the Court of Appeals for the Federal Circuit addressed what "offer for sale" is required to place an invention "on sale" within the meaning of Section 102(b). In Group One, an inventor sent a letter to defendant Hallmark about a new kind of machine that could curl and shred ribbon, and enclosed a bag of curled and shredded ribbon. In the letter, the inventor wrote that he "could provide the machine and/or the technology and work on a license/royalty basis."

The district court found that this proposal was not an offer for sale within the meaning of contract law. Nonetheless, the district court held that it was an offer for sale under patent law in light of prior cases that had indicated that an offer under patent law could be less than a commercial offer for sale.

On appeal, the Court of Appeals reversed, concluding that this letter was not an offer for sale under either contract law or patent law, and that the standard for what constitutes an "offer" was the same for contract law and patent law. The Court of Appeals held that to be "on sale" an invention must "be the subject of a commercial offer for sale," citing a 1998 Supreme Court decision, Pfaff v. Wells Electronics . Continuing with the reasoning of Pfaff, the Court of Appeals stated that the "commercial offer for sale" must be an offer within the meaning of contract law. In concluding that the letter was not an offer for sale, the Court of Appeals noted the district court's conclusion that the letter was indefinite and lacked specific terms such as price and quantity.

To maintain consistency in the law throughout the United States, the Court of Appeals held that it would determine whether an offer for sale had been made as a matter of federal law, using the Uniform Commercial Code (UCC), Restatement of Contracts, and general principals of contract law as guidance. The UCC does not define an offer, so the Restatement likely will be a significant resource for resolving difficult issues.

Inventors still need to be aware that offers to sell potentially patentable inventions, even if made under a nondisclosure agreement, even if no sales are ever made, and even if only for a single product, can start the one-year grace period within which a patent application must be filed in the United States.

Foreign patent rights are governed by foreign laws, which generally do not have a grace period after a public disclosure. Under many foreign patent laws, one public disclosure can prevent an inventor from obtaining a patent. Consequently, to protect potential foreign rights an inventor should file a patent application before any public disclosure of the invention.

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