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Federal Circuit: Private Sale by Inventor Does Not Trigger Prior Art Exception Under the AIA

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The Federal Circuit affirmed a Patent Trial and Appeal Board (PTAB) final written decision holding that the prior art exception of AIA Section 102(b)(2)(B) does not apply to a prior sale by an inventor when the sale is conducted in private. According to the Federal Circuit, a sale must disclose the relevant aspects of the invention to the public to qualify for the prior art exception of Section 102(b)(2)(B).

This appeal stemmed from an *inter partes* review (IPR) petition filed by Kaijet Technologies, in which it relied on a U.S. patent application (Kuo) as prior art in each of its asserted obviousness combinations. Sanho Corporation argued that Kuo was not prior art because the inventor of the challenged patent sold a product embodying the claimed invention before Kuo's effective filing date. That is, Sanho argued that its prior sale fell within the public disclosure exception of Section 102(b)(2)(B) of the AIA. Under Section 102(b)(2)(B), "[prior patent filings by another] shall not be prior art to a claimed invention . . . if . . . the subject matter disclosed had . . . [already] been **publicly disclosed by the inventor**." The Board rejected this argument, concluding that the sale did not constitute a public disclosure because it was never publicized, and nothing indicated the order was even fulfilled.

On appeal, Sanho argued that the private, non-confidential sale constituted a public disclosure because "publicly disclosed" in § 102 (b)(2)(B) should be construed to (1) encompass all "disclosure[s]" listed in § 102(a)(1) including when the invention is "on sale," and (2) incorporate judicial interpretations of invalidating "public use" in § 102(a)(1) covering commercial uses. The Federal Circuit disagreed with both arguments.

First, the Federal Circuit distinguished the phrase "public disclosure" in Section 102(b)(2)(B) from the broader use of "disclosure" in Section 102, reasoning that if Congress intended "publicly disclosed" to mean the same thing as "disclosed" it would have just used the same word. But Congress used different language, and thus must have intended those phrases to have different meanings. The court further reasoned that the purpose of the public disclosure exception is only served if the invention is actually made available to the public—it protects those inventors who engage in the patent bargain by sharing their inventions with the public. Disqualifying prior art based on private sales would run contrary to that purpose because a private sale, without more, does not share the invention with the public.

As to the second argument, the Federal Circuit explained that the case law on invalidating public uses is distinguishable from the present case not only because "public use" and "publicly disclosed" are different terms, but also because they serve different purposes. The public use case law makes clear that a public use that does **not** disclose an invention to the public can still be invalidating prior art. The rationale being that commercial exploitation of an invention, whether public or private, should limit a patentee's monopoly. But that rationale is distinct from the purposes of Section 102(b)(2)(B), which concerns whether it is fair to consider a subsequent patent filing by another prior art after an inventor has shared its invention with the public. The key factor there being that the inventor disclosed the relevant aspects of its invention to the public at-large.

As to the facts of this case, the Federal Circuit found the evidence of public disclosure insufficient because there was no evidence that the sale disclosed the relevant aspects of the invention to the public. Despite presenting evidence that a non-confidential sale took place, Sanho did not offer any evidence that the inventive features were taught to anyone beyond the parties to the sale. Because the sale failed to meet the "publicly disclosed" requirement under Section 102(b)(2)(B), it did not disqualify Kuo as prior art.

Practice Tip: Patent holders asserting the AIA § 102(b)(2)(B) prior art exception to overcome prior art patent references must present evidence that the inventor made the invention available to the public broadly and not merely to a select few in private.

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