ORIGINAL

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PROCEEDINGS BEFORE

THE SUPREME COURT

OF THE

UNITED STATES

CAPTION: WAYNE K. PFAFF, Petitioner v. WELLS ELECTRONICS, INC.

CASE NO: 97-1130 ✓

PLACE: Washington, D.C.

DATE: Tuesday, October 6, 1998

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IN THE SUPREME COURT OF THE UNITED STATES

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WAYNE K. PFAFF, :

Petitioner :

v. : No. 97-1130

WELLS ELECTRONICS, INC. :

- - - - - - - - - - - - - - - - - -X

Washington, D.C.

Tuesday, October 6, 1998

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 11:01 a.m.

APPEARANCES:

JERRY R. SELINGER, ESQ., Dallas, Texas; on behalf of the Petitioner.

C. RANDALL BAIN, ESQ., Phoenix, Arizona; on behalf of the Respondent.

JEFFREY P. MINEAR, ESQ., Assistant to the Solicitor General, Department of Justice, Washington, D.C.; on behalf of the United States, as amicus curiae, supporting the Respondent.

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P R O C E E D I N G S

(11:01 a.m.)

CHIEF JUSTICE REHNQUIST: We'll hear argument next in Number 97-1130, Wayne Pfaff v. Wells Electronics, Inc.

Mr. Selinger.

ORAL ARGUMENT OF JERRY R. SELINGER

ON BEHALF OF THE PETITIONER

MR. SELINGER: Mr. Chief Justice, and may it please the Court:

The Federal Circuit held that Wayne Pfaff had forfeited his right to a patent because he had violated the on-sale bar provision. The appellate court reached that conclusion because it failed to construe the statute properly. Properly construed, the grace period of the on sale bar provision cannot start until there is an invention fully completed by reduction to practice.

There are three reasons why the statute should be so construed. First, for many decades the regional appellate circuits consistently had construed the on sale bar provision to require at least reduction to practice. That body of judicial authority spans two relevant reenactments of the on sale bar provision.

Second, the policy balance selected by Congress in 1839 for the on sale bar provision emphasized that

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inventors were to have an easy to calculate period of limitations based on an event of significance to inventors.

QUESTION: Mr. Selinger --

MR. SELINGER: Yes, Your Honor.

QUESTION: -- do you think that an invention has to be reduced to practice in order to get a patent?

MR. SELINGER: An invention has to be reduced to practice -- the answer is yes, Your Honor, either through --

QUESTION: Yes? You know, this may reflect a fundamental misunderstanding on my part, which could be the case. I'm not an expert on patent law. I had thought one could patent an invention based on drawings and plans and descriptions sufficiently clear to enable one to make it, and I had thought, without ever producing the item, one could take those things to the patent office and secure a patent. Is that wrong?

MR. SELINGER: The Court in Dolbear recognized that one could have a constructive reduction to practice by the filing of a patent application that met the standards of disclosure in 112 in novelty, in 102 in nonobviousness, in 103 --

QUESTION: Well, don't complicate it. It is possible that somebody can get a patent without having

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physically produced the article --

MR. SELINGER: Yes.

QUESTION: -- in the patent?

MR. SELINGER: That is correct, Your Honor.

QUESTION: Now, was the socket here sufficiently described that a patent could have been obtained before it was physically produced?

MR. SELINGER: The -- the answer is yes, Your Honor. The --

QUESTION: Why shouldn't it turn on patentability rather than reduction to practice?

MR. SELINGER: The reason it should not, Your Honor, is because the statute says the invention was on sale. It doesn't say the invention was conceived.

Going back to the Alexander Milburn case, about half-way through that decision the Court made it clear that the person who had described in his patent but not claimed was not in fact the inventor for the description purpose, and the answer is, in going on just further, conception is always the first step, but as this Court has said in a number of cases going back to Corona Cord, Symington, and starting back in earlier cases, conception is the first step, reduction to practice is when you show that something really will work.

QUESTION: Well, but I agree with the inference

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at least I draw from Justice O'Connor's question, if there is enough information to secure a patent, and if he finds a willing buyer for 30,000 units, what purpose is served by adding the arbitrary requirement that it be reduced to practice, other than to extend the 17-year period plus 1? I just don't see the purpose of that.

MR. SELINGER: Well, to --

QUESTION: Other than to extend the life of the patent.

MR. SELINGER: Well, to understand the purpose I think we need to go back briefly through the history, Your Honor, and the Patent Act of 1793 as construed by this Court in Pennock v. Dialogue provided no grace period in that an application had to be filed before there was public use or public sale for use.

That situation lasted legislatively for only 3 years, from 1836 to 1839, when Congress created a 2-year grace period, and this Court in Andrews v. Hovey then explained that the evident purpose of Congress was twofold.

One point is to create a period of limitations which should be certain. We're dealing with property rights. We're dealing with forfeiture of property rights, and the court in Andrews emphasized that there should be a clear line.

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QUESTION: Well, why isn't it clear? If it's patentable, and you sell it, that invokes the bar. There's no further requirement. Why isn't that a clear line?

MR. SELINGER: Well, Your Honor, when you have a conception, you have a piece of paper --

QUESTION: I have the written description that I can walk right down to the Patent Office and get my patent on it. Anybody can make it based on that description, and I enter into an agreement that, based on that plan, on date X I'm going to deliver these items to you. I haven't made them yet, but I'm going to do it on date X. Is that a sale?

MR. SELINGER: No.

QUESTION: No?

MR. SELINGER: It's not.

QUESTION: It's a contract for sale.

MR. SELINGER: It's a contract to deliver something that may exist in the future, something that may or may not actually work when you go from conception to reduction to practice. That's why this Court, throughout the 1800's and into the 1900's, has required both conception and reduction to practice.

QUESTION: But you've left out something in between, and that's invention. Justice O'Connor was

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putting to you, the case is, you have the invention. The invention is what can be patented. You can't get a patent on a mere conception, can you?

MR. SELINGER: No, you cannot.

QUESTION: But when you have something that you can bring down to the patent office and get it registered, then you have an invention, don't you?

MR. SELINGER: You have -- you do not, Your Honor. You have an invention either when you actually build and test and make sure the device will work for its intended purpose, or when you file your patent application with claims, in which case you have constructive reduction to practice.

QUESTION: Yes, but isn't -- the word constructive is really not helpful at all, because it says you haven't reduced it to practice. You have the drawings, as Justice O'Connor described. It's precise enough that somebody could copy it, somebody knowledgeable in the art, but constructive really doesn't help. I mean, constructive means you didn't construct it. Constructive means that you have no reduction to practice, so let's just deal with that.

You keep talking about conception and reduction to practice. Why shouldn't we concentrate on invention, and in that light, how frequent is it that someone gets a

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patent on an invention that hasn't been reduced to practice? Is that a rare thing?

MR. SELINGER: No. That's fairly common, Your Honor. I'm not sure there are any statistics on it, but it does happen and it's not infrequent. Those are called paper patents, and found throughout the literature.

QUESTION: If you have --

QUESTION: Suppose we pick that up. Suppose we -- do you --

QUESTION: -- no, no.

QUESTION: -- suppose we just pick that up. Is there anything wrong with the following rule? I take it there might be some confusion because to get a patent you have to show that the thing is useful, novel, and nonobvious. Then it's patentable.

MR. SELINGER: That's correct.

QUESTION: All right. But then there's an additional requirement that the Patent Office has put in.

The additional requirement is, a) you've reduced it to practice, or b) you haven't reduced it to practice but you've written it down in such detail that a knowledgeable person could reduce it to practice, so we either have the thing itself, the toy here, or we have a piece of paper that describes the toy in great detail so that a toy maker could do it. Isn't that right? Am I

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right? I'm just reading the SG's brief. That's where I got it from.

MR. SELINGER: I think the first part is correct, Your Honor.

QUESTION: Wait I'll get his exact words. It says, the invention has been reduced to practice, or the invention is described sufficiently in the application to satisfy the written description requirement and to enable a skilled artisan to practice the invention. Now, I must have -- I've read correctly, I think, what he said, and so you have to have a rather detailed written description, is that right?

MR. SELINGER: For con -- for the application.

QUESTION: In order to get the patent.

MR. SELINGER: That's correct. Now, what would be wrong with curing -- all the bars are telling us is vagueness on the part of the Federal Circuit by just saying, that's what you have to have, what I just read.

In other words, the time period starts to run when you satisfy the three conditions and either you have reduced it to practice or you have written it down in such detail that a skilled artisan would be able to practice the invention.

Now, if we simply copy that right out of his brief, right into the opinion, and say that's what you

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have to have, what would be wrong with that? Your client might lose, so I think you'd be against it, but that's why I'm asking the question. What's wrong with that? You've got the certainty, it's -- it isn't total, you have to reduce it to practice, but it surely follows the idea that the statute picks up from invention, patentability, et cetera.

MR. SELINGER: There are four problems with that, Your Honor. The first is, I don't believe it is consistent with the statute, with the intent of Congress.

QUESTION: Well, subsection (b) requires public use for on sale.

MR. SELINGER: Yes, Your Honor.

QUESTION: I mean, in addition to the patentability, public use or on sale.

MR. SELINGER: That's correct.

QUESTION: That's why I asked you about the contract for sale, but you say a contract for sale isn't a sale.

MR. SELINGER: For purpose -- in the absence of a completed device, Your Honor, a contract alone is irrelevant.

Returning to Your Honor's question, the second answer is, the suggestion from the Solicitor General I think is superficially clear but is very complicated and

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does not create a bright line test in practice.

The third problem it has is, it creates a huge reservoir of secret prior art usable against third parties, and I think the fourth reason is that it subverts the public interest.

Let me go back to those. It's theoretically interesting to explain that when you have a piece of paper and you actually describe something that ought to start the clock. The problem is that may not be what you end up with as a real product.

I may think I'm 6 months from developing a new fuel additive which will reduce pollution by 50 percent, and if I'm a small company I can then -- I may want to enter into a distribution contract with a large company to get that into the market, but I may be wrong. It may take me, and I may be able to write the details of that additive ad nauseam, but it may turn out, when I actually get my trials, when I actually try to see if it works for its intended purpose, it doesn't, and I've got to go back to the laboratory. I may have to change composition. My description may change --

QUESTION: I think that is a problem with the test, but could it -- could we say that you can protect yourself by contract? You can say that you need this period in order to have in effect R&D, and have something

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that's short of a sale, an option, or something like that.

MR. SELINGER: Your Honor, the risk --

QUESTION: I guess what I'm asking is, could we avoid the difficulties you mention by just putting the burden on the would-be patent holder to draw the contract documents correctly?

MR. SELINGER: I think it would be contrary to public interest to tell patentees that not only could they be in breach of contract but they would risk losing their patent rights if their contract wasn't drafted carefully.

QUESTION: But that's missing -- Judge Bryson's formulation addresses that, doesn't it?

MR. SELINGER: It does indeed.

QUESTION: Why isn't his formulation then sort of a good answer to your answer to Justice Breyer's suggestion? If what he wrote is sufficient to anticipate, or make obvious what later eventuates is the invention, that would suffice, what's wrong with that?

MR. SELINGER: What's wrong with that, Your Honor, are exactly the problems I was explaining to His Honor, and there are four problems. It's the same -- the Solicitor General is promoting Judge Bryson's test, and the problems are that it's not a bright line test because when you move --

QUESTION: Well, it may be as close as we can

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get to one, but I -- you were specifically saying -- in response to Justice Breyer you're saying, well, the problem with the Solicitor General's test is that what I agree to sell when I'm still in perhaps in a stage of development, whether I think so or not, may turn out to be something different from what I actually sell after I've tested my product 6 months later, and the Bryson formulation does address that problem.

MR. SELINGER: Your Honor, I have to disagree, and to the extent that the Bryson formulation purports to, it does so years after the fact, and it requires looking at what was offered for sale. It's not clear whether or not the Bryson formula requires anything to exist, something as broad as, I offer to sell you my new cure for arthritis. Whether that starts the clock --

QUESTION: Well --

QUESTION: Your point is that the inventor has to know right away whether he has a year left or not.

MR. SELINGER: Absolutely, Your Honor.

QUESTION: It's not good enough that you can tell clearly 3 years later that he then had a year left. He has to know it now.

MR. SELINGER: Absolutely, and going back to --

QUESTION: Why aren't we focusing on -- I mean, we're focusing on the word invention. Why not focus on

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the word sale? Wouldn't the problem be solved if a sale does not include a contract to sell, and if it includes only the delivery of the actual working product?

MR. SELINGER: For many years, Your Honor, the on-hand test was part of the on sale bar provision in a number of circuits, and that was in fact the situation. The product had to be on hand before the on sale bar could start to run.

That wasn't the rule in all circuits, but every circuit that considered the on sale bar required at least reduction to practice.

QUESTION: Why can't we go down that road? I mean, I think it's a reasonable use of the word -- I mean, the law in some situations draws a distinction between a sale and a contract to sell.

QUESTION: But the question is, what do the words on sale mean? Can a product be on sale before the sale is actually consummated?

MR. SELINGER: A product can be on sale under the law without there actually being a sale if there is a product.

In fact, part of the purpose of the on sale provision is to allow inventors to test the salability of the product after they have it, and something that doesn't sell during the 1-year grace period that the inventors are

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given tells the inventor, don't file a patent application.

QUESTION: Okay. So you really do not argue for the position that there's got to be a consummated sale as opposed to a contract for sale to trigger the application.

MR. SELINGER: If it was 100 years early, I would be arguing that. I don't under the jurisprudence since then.

But let me go to reduction to practice for just a minute.

QUESTION: Before you do, is it your position that there cannot be a patentable invention until it's reduced to practice?

MR. SELINGER: Yes. Either --

QUESTION: And then will you sometime in your argument explain to me how subsection (g) can be squared with that?

MR. SELINGER: Absolutely. 10 --

QUESTION: I thought your position was either reduced to practice or a patent application filed?

MR. SELINGER: In --

QUESTION: I mean, let's -- what you call constructively reduced to practice.

MR. SELINGER: Yes, and I meant one of the two ways. That's -- those are both termed -- called reduction to practice.

QUESTION: And you have conceded that many patent applications are filed when the invention hasn't been reduced to practice, so we've already gotten clear on, you don't need to reduce it to practice to have an invention.

MR. SELINGER: No, Your Honor. Perhaps I misspoke. You don't have to actually reduce it to practice. The courts have created a fiction which is --

QUESTION: What you're talking about in this case is an actual reduction to practice.

MR. SELINGER: That's correct. That's correct.

QUESTION: And I have already expressed my view when you say constructive you're saying we haven't reduced it to practice. You have agreed that you can get -- you can file a patent although you have not made -- it has not been physically embodied in the product.

MR. SELINGER: That's correct and, in fact, you can get a patent and the patent can live out its life and product never be made. There are many inventors --

QUESTION: So you don't equate invention with reduction, actual reduction to practice.

MR. SELINGER: I equate invention with some form of reduction to practice as I use it, not as Your Honor uses it. In Your Honor's case invention would either be actual reduction to practice or the filing of an

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appropriate patent application.

QUESTION: But if that is so, it's odd that Congress would use reduction to practice only in subsection (g).

MR. SELINGER: Your Honor, in subsection (g) is when Congress codified the longstanding definition, but reduction to practice has been recognized by this Court in considering when there was an invention going back to the 1800's. For example, in Seymour --

QUESTION: But I thought we at the very beginning established that you can have an invention before it's reduced to practice. Justice O'Connor's first question, I thought that was the beginning point of our discussion.

MR. SELINGER: Your Honor, I -- then perhaps I wasn't clear. To have an invention, you have to either have a device actually made, or -- which is an actual reduction to practice and tested, or the court has created a fiction that the filing of a patent application is a constructive reduction to practice.

Without either of those two acts there cannot be an invention.

QUESTION: But subsection (g) makes it perfectly clear, it seems to me, that the person who first conceives the invention may acquire the -- a patent even though that

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person was the last to reduce it to practice. That's what the last clause says.

MR. SELINGER: That's right, and subsection (g) sets forth how one decides --

QUESTION: And if that's true it follows as night follows the day that the reduction of practice was not an essential element of having a patentable invention.

MR. SELINGER: That's not correct, Your Honor. Without -- because subsection (g) in that last clause assumes there is a reduction to practice. If you don't have a reduction to practice, you don't have invention.

QUESTION: No, but the person who was last to reduce to practice may nevertheless get the patent if that person exercised reasonable diligence, which makes it clear that there can be a patentable invention before the reduction to practice occurs. That language doesn't make sense if you don't read it that way.

MR. SELINGER: Your Honor, I'm not sure I agree, because 102(g) says, normally it's the first to conceive, first to reduce.

QUESTION: Right.

MR. SELINGER: The first to conceive but the last to reduce --

QUESTION: Now, where -- are you reading from 102(g) or just paraphrasing?

MR. SELINGER: I'm paraphrasing, Your Honor. The first to conceive and the last to reduce to practice can be the first inventor.

QUESTION: Right.

MR. SELINGER: If diligence is exercised from the time prior to its conception all the way through reduction to practice. You have to have both elements for the invention.

QUESTION: Well, but you're the first inventor if you're the second to reduce to practice, which means you must have had an invention before the reduction to practice occurred, otherwise you wouldn't be the first inventor.

MR. SELINGER: No. You're the first inventor because you have pursued the inventive process in the order that Congress has said is the appropriate way to make you the first inventor.

But until you have that reduction to practice -- if you're diligent and you quit 2 days before reduction to practice you're not the inventor. You have to have reduction to practice.

QUESTION: But you're the first inventor even though you're the second to reduce to practice. You do agree with that.

MR. SELINGER: Yes.

Going back to the question, Your Honor, the situation where you can't tell whether or not what's on paper is going to work or not may or may not start the clock, as -- and there's a policy interest, and that -- the problem with turning the piece of paper in connection with efforts to get a distribution agreement set in place before you've actually made something, if you say that is the sale, because you have the detail of something that may not work, but it's in detail --

QUESTION: Well now, the Court of Appeals for the Federal Circuit treated as a sale the purchase order before the delivery of the items, did it not?

MR. SELINGER: It treated that as on sale.

QUESTION: As a sale, that it was on sale as of the date the purchase order was awarded.

MR. SELINGER: That's correct, Your Honor.

QUESTION: And the delivery, the first delivery occurred in July although the purchase order was given in -- April 8th?

MR. SELINGER: That's correct, Your Honor.

QUESTION: And you say now that we have to date it from the delivery, the 1 year.

MR. SELINGER: No. I'm saying that until there was an actual reduction to practice --

QUESTION: Well, the items were delivered in

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July.

MR. SELINGER: That's right. That's when they --

QUESTION: That's the date you argue for?

MR. SELINGER: Yes. Not that the -- when the items were actually made, which also was in July, there was an actual reduction to practice and they were tested, and at that point --

QUESTION: But I thought you had told me earlier that the on sale provision required a delivery. Now you're telling me it require -- it can be something else. You need to settle on something, probably.

MR. SELINGER: Well, Your Honor --

QUESTION: Consistently.

MR. SELINGER: I did not mean to say on sale required delivery.

QUESTION: I thought that's what you did tell me.

MR. SELINGER: No. On --

QUESTION: We talked about that. I said, is the contract of sale a sale. No. There has to be a delivery, I thought you told me.

MR. SELINGER: No. I thought I said there had to be an actual product at the same time, Your Honor.

There are two components. There's the invention

component, and there's the on sale component. The statute requires that there be an invention, and that invention be on sale, and I'm sorry, Your Honor, I was focusing on the two components and may have blended them together, but there has to be something which is the invention. It has to exist.

QUESTION: But we've already established though that you can have an invention patented on the basis of written descriptions and plans.

MR. SELINGER: That's correct.

QUESTION: And it is an invention then. You have the patent, and it is what you have patented is an invention, so we have an invention before it is reduced to practice. We've established that.

MR. SELINGER: The filing of the application is a constructive reduction to practice. That's the way the courts have treated it.

QUESTION: I think we can forget that terminology. In plain fact, you have an invention when you have filed with the Patent Office the sufficient written description.

MR. SELINGER: If that's the Court's definition, then I will live with that definition.

QUESTION: Well, it doesn't hurt your case. I mean, you're -- you can put it that way. You say that

there is no invention unless you have either reduced it to practice or filed a patent application. It makes sense to me.

MR. SELINGER: If I may just go back to the fourth point, as Judge Easterbrook noted, sitting as the district court in the Mahurkar case, as the dissents noted in UMC and Atlantic Thermoplastics, it's very common -- it's important for inventors to communicate with customers.

This not only helps during the inventive process of making the best product, getting a better product to the public, but it also allows inventors, as I was describing earlier, to get the product there sooner rather than later, and it's in the public interest to allow inventors to communicate with prospective customers.

A bright line rule, based on -- reduction to practice is something inventors --

QUESTION: Why can't they do that by contract documents that are short of sale? They say it's a put contract. The requirement on the would-be buyer would be that he can't disclose the secrets, et cetera.

In other words, we announce this rule, and then the patent world just adjusts by drawing the contract documents to protect themselves.

MR. SELINGER: That -- of course that could work

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prospectively, but going back to my earlier comment, Your Honor, what that would do is place inventors not only at risk of breach of contract if they didn't act timely, but if the contract wasn't done properly, based on the court's new ruling, inventors would be also faced with the risk of the loss of their invention, their patentable invention, and that, I think, is not the intent of Congress. That wasn't the intent in 1839. It wasn't the intent in 1939.

QUESTION: Counsel, I -- in Bonito Boats this Court quoted with favor, I thought, the observation of Judge Learned Hand about section 102(b), which is the statute we're dealing with, when he said it is a condition upon the inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting. He must content himself with either secrecy or legal monopoly.

MR. SELINGER: May I respond, Your Honor?

There are -- that's certainly what Bonito Boats said, and the Second Circuit had that comment, but we need to place that in its proper context, and there's two parts.

First, Judge Hand was trying to decide whether to reverse a line of cases dealing with a machine which was working, was kept in secret, was making parts that were on sale, and Judge Hand was trying to decide if a

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real machine, secretly working for a great deal of time --

QUESTION: Thank you, Mr. Selinger. Mr. Bain, we'll hear from you.

ORAL ARGUMENT OF C. RANDALL BAIN

ON BEHALF OF THE RESPONDENT

MR. BAIN: Mr. Chief Justice, and may it please the Court:

I would first like to point out with particularly the facts of this case that the inventive process had been entirely completed and that a sale of the product had been made more than 1 year before the patent application was filed.

QUESTION: Well, a contract for sale, not a delivery of the items.

MR. BAIN: Yes. I'm using --

QUESTION: A purchase order.

MR. BAIN: That is correct, Your Honor, purchase order, but there had been an offer and acceptance. It was a contract. It was a sale in that sense. I think we normally do refer to a sale as something that is made by the contract, not by the delivery, and I'm using it in that sense, but more than 1 year before the patent application was filed we had that commercialization completed and we had beyond any doubt a completed invention, nothing more to be done in the inventive

process.

That should invoke the on sale bar of section 102(b), and it is only by reading into the definition of invention in 102(b), this notion of reduction to practice, that the petitioner is able to contend that the on sale bar does not apply, and that is fundamentally --

QUESTION: Right, but how do you know -- I mean, it's very easy to say there was nothing more to be done in the inventive process, but how does the prospective patentor, or patentee, know at the time he's making this contract that there is nothing more to be done in the inventive process, because in the course of trying to reduce it to -- to an actual working instrument, he may make changes.

MR. BAIN: In some cases he will, beyond any doubt, Your Honor, and in those cases -- and I think this is an important point for a number of the questions that have been asked already. You may not yet have an invention if that's the fact.

That is not the fact in this case, but if it is the fact that the inventor does not know, and a reasonable person, a reasonable person of ordinary skill looking at this would not know at that point in time whether or not they have a working invention, then they do not have a utilit -- they don't have the utilitarian aspect of an

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invention, and so they don't have an invention yet.

QUESTION: He thinks he has it but he's wrong about one of the details of it, and that error comes out in the course of trying to produce what he has to deliver under the contract. Now -- but you know, at the time, whether that will happen or not, he doesn't know at the time that he enters into the contract.

MR. BAIN: I would submit --

QUESTION: And therefore if delivery is 2 years from now he doesn't know whether he -- you know, whether -- before the actual delivery he's lost his patent rights or not. It seems to me you need a rule that the inventor can know as soon as possible.

MR. BAIN: The -- in point of fact, as a fact issue, of course, we have that possibility always, that the inventor subjectively is wrong.

I submit that the test is whether, if you want to test whether or not the invention is complete, it ought to be an objective test as to whether at that point a reasonable person would believe that the invention would function for its intended purpose.

QUESTION: The reduction to practice --

MR. BAIN: And that is exactly, may I add, what happens when you go to the Patent Office.

QUESTION: Exactly. That's why I find the line

suggested either an actual reduction to practice or the filing of a patent application.

You know -- you know the gun has gone off then, and you have a year. You built the thing and it works where you file a patent application. I -- there's a great virtue to that clear line, and I find it very fuzzy what point of time you want us to look -- I mean, you can't --

QUESTION: But in this case was there any conditions on the sale? Was it a sale, if it works you have to buy it, or was there an unconditional agreement to sell the item?

MR. BAIN: I believe that the buyer had the right to reject the goods if they didn't work, but of course that's true in virtually any sale under the Uniform Commercial Code.

QUESTION: But would there have been -- would the seller have defaulted on the contract if he shipped goods that didn't work?

MR. BAIN: Yes. I think that would be a breach of warranty. Yes. The --

QUESTION: May I ask another question about the on sale portion of it? Leave aside the question of when the trigger goes off. On sale, we've established, can mean a contract. Suppose its just that the inventor says to the world, I've got this thing, commercially advertises

it for sale, would that satisfy the on sale requirement?

MR. BAIN: The current jurisprudence certainly says yes. If you're offering for sale, then it is on sale.

QUESTION: You don't even need a contract. You don't even need a purchaser. As long as you have put yourself forward as offering the thing for sale --

MR. BAIN: That correct --

QUESTION: -- it's on sale.

MR. BAIN: Yes. That correctly states the current state of the law, as I understand it.

The -- the difficulty with attempting to focus on the on sale language as opposed to the invention language of 102(b), and then say until the physical embodiment is sold, is that it does not comport with what 102(b) says.

What 102(b) says to us is that when the invention exists, and when it is on sale 1 year prior to the date of filing, then it is invalid, and so we must fundamentally go back to 102(b) and, unless we are to say that the fundamental principle, I think, that has been with us for a very long time in patent law that was noted in Bonito Boats and was well stated by Judge Learned Hand, is that we have an important policy in encouraging inventors.

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Once the invention is in place, we encourage the inventors to file their patent application, and that fundamental policy was noted in Bonito Boats, and it is exactly why the on sale bar, the on sale portion of the on sale bar should not be read to allow the inventor to control the time when the period starts to run by deciding when he or she will reduce it to practice, or he or she will deliver the goods.

You have run counter to that fundamental policy -- let me suggest that the entire reduction to practice notion is a notion that has grown up not in the on sale bar clause area at all.

We have two major categories of conditions when you look at 102. The first category of condition let's call priority, because it says, let's look at the time of invention and decide at that point in time what was the state of the art, what was already out there? Is this something novel, or was it already there? That's what we look at in 102(a), that's what we look at in 102(b), that's what we look at in 102(g).

In the priority cases, the way the law has developed, and it's developed appropriately, I think, we definitely have, as the question to establish this morning, we look at when the invention was made in terms of when was the conception complete? We have always done

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that at least since the middle of the last century.

So when we're asking that question, we encourage, of course inventors to remember as well as they can how far back the invention went, and in that situation this Court has always been, and other courts have been properly skeptical of the mere memory of the inventor as to how far back he actually thought through this invention.

So the courts developed this notion of a reduction to practice, and the reduction to practice helps confirm as a matter of proof that not only was there a conception, but that within a reasonable time -- this is the notion of diligence to reduce to practice. Within a reasonable time we can see the actual invention or the patent application, one of those two things.

QUESTION: What happens if --

MR. BAIN: And that happens as a matter of proof.

QUESTION: What happens if the inventor wants to make a contract to deliver the goods and he knows that he's going to need more than 2 years -- more than 1 year, let's say 3 years to reduce it to practice, and he's fairly certain that in the process of reducing to practice he's going to have to make some changes in the basic design. Is he just out of luck, under your view?

MR. BAIN: Well, number 1, I want to point out that as a practical matter --

QUESTION: Or does he make an R&D contract or what?

MR. BAIN: It's easy to handle by contract, is the short answer.

But I want to point out that it's very rare when you're going to get a contract -- I think relatively rare, anyway, when you're going to get a contract that describes the invention.

Remember the invention, let's think of it in terms of a combination of A, B, C, and D. It's a combination of those elements. That's your invention. you don't normally sell things in terms, I want to sell you a combination of A, B, C, and D. You sell something that performs X function and Y function, and that, when you have a contract that simply says I'm going to sell you a device that performs X function or Y function --

QUESTION: I agree. That's the very problem I have.

MR. BAIN: Yes. Then I would say you do not have a contract that puts the invention on sale. Indeed, in your example you don't know what the invention is yet, because the invention is what you finally settle on, but you said you're going to probably change it as you go

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along, so what is on sale at that -- what has been put on sale on that point may not be the invention at all.

QUESTION: So long as you don't describe the invention in the sales contract it is not on sale?

MR. BAIN: I think that's correct, Your Honor. You have to put the invention on sale.

QUESTION: Well, suppose --

MR. BAIN: It's not just any old product on sale.

QUESTION: Even though both of you know that this widget is going to be produced by doing A, B, C, and D?

MR. BAIN: Oh, I -- then that's a different case.

QUESTION: Well, you both know that, but you don't say it in the contract.

MR. BAIN: If you both know that, then you have the invention on sale, if that turns out to be the invention.

QUESTION: Oh, but I think that is normally the case, because I don't think that a big operator is going to believe that you can produce a widget which nobody else has ever produced. You have to go to them and say, look it*, I have, you know, I've invented the mouse trap. I am going to put together A, B, C, and D, and he says,

brilliant, I'll buy that if you can do it. He's not going to buy a pig in a poke when nobody else has ever invented a widget before.

MR. BAIN: With all due respect, Your Honor, most of the inventions today in our more complex world are little pieces of products. They're not whole products.

This happened to be a whole product, but most of the time it's little pieces of product, and we buy computers, or we buy machines that have maybe 10 different inventions in them. When we buy them, we are buying what will they do for us, not do they have element A, B, and C, in this part.

QUESTION: So is that the answer to what -- to what I thought the colleague petitioner I think responded to my question. You put this -- exactly this subject in my mind, that a company goes and shows a business -- an inventor a very, very complicated computer and says, we need some little part in here, and although that sounds easy, it's very difficult, and the inventor says, I know I can invent it. That's not a problem.

I mean, it will be this way roughly, and they describe it in fairly good detail but not in such detail that you could go make it right then and there, and so they sign a contract for it expecting it will take 2 or 3 years.

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Now the time begins to pass, and the inventor tries 50 different things. You know, first this, first that, and he isn't quite certain which is the best.

Now, may 40 of those 50 would qualify as inventions once he's written them down, but he isn't going to go actually make it until he's sure he's got the best one.

Now, what's he supposed to do? Is he supposed to, under your rule -- and this may be fairly common. Is he, every time he's written out a description of something in detail that would count as the invention, which, by the way, he'll get something better 3 days later, it's never going to be reduced to practice.

Does he then have to go and file a patent application immediately, possibly having hundreds of patent applications, just because it may turn out he's got the best one and he doesn't really know for 3 or 4 years, and that's why he hasn't reduced it to practice. He's still working on this.

Now, your rule, he'd have to file, wouldn't he?

MR. BAIN: No, I don't think so, Your Honor, but our rule would look --

QUESTION: The SG's rule he'd have to file, I guess. Why wouldn't he?

MR. BAIN: Number 1, I want to point out that he

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would have a year anyway. That works --

QUESTION: I mean, obviously I'm trying to -- maybe you can tell me my case is just unlikely to occur very often.

MR. BAIN: Yes.

QUESTION: But what we seem to be trying to do here, all the different bars are trying to tell us, be more specific. Don't just use some vague conception in his head.

Do try, and the candidates seem to be, A reduce to practice, or B reduce to practice or, if not, have it written down, or if not 2), then do 2), but there's another alternative. You could have thought of it to the point where somebody would have been able to write it down if they'd been able to cross-examine you. That sounds like a very dangerous one, but that seems to be the one the SG is pushing, and maybe you're pushing, and so that's where I am.

MR. BAIN: Well, let me make clear as to what test we're proposing, and perhaps it will help to answer that question. We are asking for the test that we think patent lawyers and inventors are most familiar with, which is, when am I ready to patent my invention?

That's what has to be answered every time we decide to go for a patent, so in your example the inventor

would have to say to himself, do I have an invention yet that I am ready to go for patent on, and is it going to get incorporated into this product?

If it does so, and if he has a sale, then he knows with certainty that the clock is starting to run on his 1-year grace period, and he then has a full year to get his patent application filed.

QUESTION: I'm really confused, because as I understood Justice Breyer's hypothetical there had to have been a sale anyway, according to you.

MR. BAIN: I'm sorry, I misunderstood that --

QUESTION: Well --

MR. BAIN: You need both elements.

QUESTION: -- all he agreed to do was to devise this little gimmick for the computer.

MR. BAIN: Yes.

QUESTION: You know, I want -- he didn't say how he was going to devise -- I think he would have said there was no sale.

MR. BAIN: I'm very sorry, I would have said -- and I missed that point. I want to make one little point clear, and that is, there's a slight difference between the test that the Solicitor General has -- suggests and the test that we suggest.

We suggest the ready-for-patenting test, and so

ours is a prospective test, and so when the invention is ready for patenting and on sale both the period starts to run, as opposed to the Solicitor General test, which is a retrospective test, as I understand it, although he can certainly speak for himself, but that's a retrospective test, so after the fact you look back and say, well, in fact, was what turned out to be the invention on sale more than 1 year in advance.

There's a slight difference, and it only makes a difference in those cases I think close to the example you had where the invention really isn't complete yet the full year before the filing for patent, we really don't have an invention yet, but if we just do the pure retrospective test, you may not get your full year.

And that's the reason we believe that the ready-for-patenting test is a superior test, and should be applied by the Court, and we believe that's a test which brings a very substantial amount of certainty, and certainly we don't believe that reduction to practice brings a large quantity of certainty.

There will always be uncertainty, because we will always have mixed fact patterns, but reduction to practice --

QUESTION: Excuse me. Going back to Justice Scalia's question, isn't it still the case in Justice

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Breyer's hypothetical there has been no contract for sale and no on sale within the meaning of the definition that you gave earlier?

MR. BAIN: Absolutely. You must have both elements. You must have at least an offer for sale that has taken place, as well as the invention being in existence.

QUESTION: But I mean, it seems to me that if we accept your definition there aren't going to be many sales, because many -- I assume there are not going to be very many sales contracts that in fact are going to go into detail in specifying elements A, B, and C, or whatever they are, so that would seem to me to reduce the bar to such a narrow limit in its application that it's unlikely that Congress would have assumed such a narrow definition.

MR. BAIN: Well, I think that it still remains a very important bar, but the fact is that the way sales are made, very often the buyer does not in fact know what's all the elements of a complex system that is being purchased, so in that sense --

QUESTION: Even if the seller knows he's selling his invention, you say both of them have to know that he's selling his invention.

MR. BAIN: I submit that the sale has to relate

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to that invention if he's particular -- if he's free, if the seller is free, the inventor is free to change it as he goes along. In this case, that wasn't so. The contract was made with reference to drawing 2020, or some particular drawing, but if the inventor were free to continue to change this product as he goes along, which is not uncommon, then I would submit that you don't have the invention on sale.

QUESTION: Well, under those circumstances I could never buy a computer on sale. I'll never understand what's going on there. They could sell me anything and it would --

(Laughter.)

QUESTION: I'd never know. So on that definition, there will never be a sale, a computer on sale to me within the meaning of (b).

MR. BAIN: But if -- well, if you have the sample, I think you're plainly on sale. I don't think it's purely subjective, and I may have overstated a little bit.

QUESTION: So it doesn't have to say --

MR. BAIN: Where you have something under development --

QUESTION: It doesn't have to say A, B, C, and D. It has to say, this -- this --

QUESTION: Yes, but if you've got a sample, you've got it reduced to practice.

MR. BAIN: If it has -- if it has been -- if it's on hand, as the old cases once required, then, of course, you're buying that thing that contains the invention. But if --

QUESTION: Thank you, Mr. Bain.

MR. BAIN: If I'm simply --

QUESTION: Mr. Bain, your time has expired.

MR. BAIN: Thank you, Your Honor.

QUESTION: Mr. Minear, we'll hear from you.

ORAL ARGUMENT OF JEFFREY P. MINEAR

ON BEHALF OF THE UNITED STATES, AS AMICUS CURIAE, SUPPORTING THE RESPONDENT

MR. MINEAR: Mr. Chief Justice, and may it please the Court:

The United States submits that section 102(b) of the Patent Act requires the inventor to apply for a patent within 1 year of placing his invention on sale, regardless of whether he has reduced it to practice. We think the statutory language dictates that result.

Section 102(b) states, of course, that a inventor is not entitled to a patent unless the invention was -- or if the invention was on sale on the critical date. The statute's use of the term, invention, in that

context --

QUESTION: Before you get to invention, what do you mean by on sale? Do you mean the same thing --

MR. MINEAR: It means it has been --

QUESTION: -- as Mr. Bain means?

MR. MINEAR: It has been offered for sale, or has been advertised in such a way that the inventor would accept offers to buy.

QUESTION: But the buyer has to know that he's buying A, B, C, D?

It's not enough to know that he is buying a device which will do X --

MR. MINEAR: We think that's a --

QUESTION: And the inventor knows that he's going to get it to do X by combining A, B, C, D.

MR. MINEAR: No, we don't think the buyer needs to know that information. We think that the seller is in control of what's on sale, and we look to what the seller's actually offering for sale.

Now --

QUESTION: That's important, because --

MR. MINEAR: It's very important.

QUESTION: -- because the response, I think, of Mr. Bain to Mr. Selinger, as I understood it and tried to encapsulate it in this hypothetical, I'm worried about the

person, the inventor who keeps having 50 different things over the period of 2 or 3 years to see which is the best.

And I think what Justice Scalia was saying, if the sale contract which took place before this process began described in very great detail exactly what this particular thing that was to be invented would do, but still left it open as to which of 50 different possible inventions would satisfy that, there wouldn't be a sale.

Rather, for there to be a sale you'd have to refer absolutely explicitly to the particular invention that we're talking about, which means to say you can't get into the position of selling the thing in advance before it's invented.

MR. MINEAR: Well, I don't agree with Mr. Bain's response in that context.

QUESTION: If that's right. I mean, I may not have understood it, but that was your understanding, too.

MR. MINEAR: Our view is simply this, that section 102(b), when it uses the term invention, is referring to the item, the product that is identified in the patent application, and that leads to quite a natural test in these cases. The on sale bar applies if the product that is offered for sale is the same product that's identified in the patent application.

Now, in the case where the inventor has created

a physical embodiment of the invention, that test will be very easy to apply.

We think it's also easy to apply --

QUESTION: Well, is this a prospective test, or a retrospective test, because I still am not sure of the answer to the question.

MR. MINEAR: Well, I think --

QUESTION: If we don't know quite what it's going to look like, we later know retrospectively that you did sell the invention, but we don't know prospectively that you did.

MR. MINEAR: Justice Kennedy, I'd like to answer your question from two perspectives. Let's look first at what the inventor understands under our test, and that is, if he has conceived of an invention, if he's ready to patent it, then he knows he has 1 year from the date he places it on sale to apply for that patent, and that's a clear rule for him.

He knows at that point that once I say, Eureka, I know what I want to do here, I understand it, I can reduce it to practice, I can make an enabling disclosure, then he knows if he offers it for sale the clock is ticking, and he has 1 year to get that patent application in.

Now, the case is also going to arise, in the

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case such as we have here, where a party is seeking to invalidate the patent -- and his perspective is going to be quite different on it. He's going to look at what proof do I have that the inventor had placed this item on sale, and it really is an evidentiary question at that point in terms of whether what was on sale was what was ultimately identified in the patent.

For instance, a simple case of this is the mechanical drawing situation we have here. We think this case is clearly covered by our test. What the challenger says is, look, we know this was on sale because the engineering diagrams that you prepared and submitted to the purchaser are the very same diagrams that we submitted with the application of a patent.

Now, the question that you're concerned with, I believe, is the situation of, well, what if there's a change along the way as the product is developed, and certainly that's commonplace in today's commercial markets, that there'd be the back-and-forth, the interchange between the buyer and seller that might lead to modifications of the product.

If it's an obvious change, then the same bar applies. We simply apply the so-called obviousness test to the item that was originally offered for sale.

QUESTION: I'm not concerned with the question

of, if there's a change along the way. You're looking at it retrospectively. I'm concerned from the standpoint of the prospective patentee. How does he know whether there's going to be a change along the way? How does he know whether his year clock is ticking or not? He can't know until he sees whether there's been a change along the way or not.

MR. MINEAR: Well, the inventor should know whether or not he has an invention, whether or not he's prepared to submit a patent application and, if he is, then he knows if he puts it on sale the clock is going to be running.

Now, it might be that he finds an improvement to this invention, that he actually sees a way to make it better, or to improve it. In that case the clock might start running again, because he has in effect a new invention.

QUESTION: In other words, on your rule he can't get in trouble, because if, in fact, what the change would be, subject to anticipation in light of his original application, he's filed an original application, so he's covered there. If the change is radical, then he knows that, in fact, a new 1-year period will start to run and, following your rule, he will file a new application.

MR. MINEAR: That is correct. That's how these

rules operate, and it's important to see that this is -- it places the control over the on sale bar within the hands of the inventor. Once the inventor knows what rule applies, he can act accordingly.

The question also arose with regard to what if, if what the inventor is really selling is, shall we describe as a half-baked idea. He's offering something for sale, but he hasn't fully formulated in that situation.

Now, the inventor that does that runs a risk that someone might say that, well, in fact, you knew what you were selling, and the on sale bar should apply.

He can protect himself in that situation simply by providing in the terms of the contract that he is providing development services, or an R&D contract, or he's entering into a joint ventureship with the party for whom he's developing this.

The uncertainty can be resolved by the inventor simply by foresight.

QUESTION: Of course, every inventor will say that in order to extend his year. I mean, you're creating an opportunity for production of uncertainty.

MR. MINEAR: Well, --

QUESTION: I mean, why would only the inventor who has a half-baked idea say that? Why wouldn't every

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inventor say it in order to make it difficult to prove the 1-year bar?

MR. MINEAR: Because that's not the only thing that's operating in this marketplace. The inventor also has to be concerned about the possibility that other inventors might come along to claim the same invention.

Now, if he wants to protect himself and protect his priority, then he's going to need to do one of several things. 1) he's going to have to actually reduce to practice -- there is this incentive to encourage people to reduce to practice -- or he's going to file a patent application ahead of time.

The marketplace itself actually polices this in very important ways, because the inventor, if he wants to take advantage of the patent system, he does have to move quickly and clarify what he's selling.

What's more, the marketplace also encourages the proper use of our tests because, as you said, Justice Scalia, a buyer is not going to buy a pig in a poke. He's going to want to know what he's bought. He's going to want a description, much as Wells wanted -- or not Wells, excuse me, the Texas Instrument wanted in this case. They did want to see a diagram of what was being sold, and their contract specified they wanted the product that they saw in the diagram.

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QUESTION: Wait, you're not talking -- forget this case for a moment, because we're trying to get a rule.

MR. MINEAR: Sure.

QUESTION: And your rules say, embodies the invention, does the sale embody the invention, right?

MR. MINEAR: That is correct.

QUESTION: Okay. Now, I take it that rules out the possibility where the invention isn't yet invented, so it doesn't include contracts to develop anything.

MR. MINEAR: That is correct.

QUESTION: The invention must be there.

Now, the invention is there if the three basic nonobviousnesses are satisfied, and if it's reduced to practice, but if it's not reduced to practice, it's still there if there is a very written description in detail such that you could go and get it patented right then at the Patent Office, right?

MR. MINEAR: I think certainly --

QUESTION: And if neither are those two things are true, it's also there if you could do any of the latter two things but you haven't done them yet.

MR. MINEAR: Yes.

QUESTION: Is that the test?

MR. MINEAR: I think that's right, including the

last one.

QUESTION: If that's the test, and you include the last one, his complaint is that reintroduces all the uncertainty that's driving everyone in this field mad, because what you will discover is, in fact, after the event, sure it was in the inventor's head. That's right. Now we know that, but he never wrote it down anywhere and, moreover, it was never reduced to practice, and there are all kinds of things floating around in inventors' heads, and boy, this is uncertain.

That's what their complaint is, so I'd like your response to that third part of your alternative test there as to why it isn't uncertain.

MR. MINEAR: That, we think, is a question of evidence, and that's handled by the presumptions that already exist.

QUESTION: How is that an improvement over what the Federal Circuit's doing that every part of the bar is upset about?

MR. MINEAR: We think it is an improvement, because -- our test is an improvement because it puts the inventor on clear notice of exactly what the test is.

The problem we see with the Federal Circuit's test is, it is a substantially completed test that we think is less clear than the test we're proposing.

Thank you.

CHIEF JUSTICE REHNQUIST: Thank you, Mr. Minear. The case is submitted.

(Whereupon, at 12:02 p.m., the case in the above-entitled matter was submitted.)

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WAYNE K. PFAFF, Petitioner v. WELLS ELECTRONICS, INC.
CASE NO: 97-1130

and that these attached pages constitutes the original transcript of the proceedings for the records of the court.

BY Ann Marie Federico

(REPORTER)