The Federal Circuit Defines the "Public Disclosure" Exception to Prior Art Under 35 U.S.C. § 102(b)(2)

By Rashad L. Morgan and Kassidy Schmitz

The U.S. Court of Appeals for the Federal Circuit in *Sanho Corp. v. Kaijet Technology International Limited, Inc.*,[1] recently addressed the prior art exception of a "public disclosure" under 35 USC § 102(b)(2)(B). Affirming a decision of the U.S. Patent Trial and Appeals Board (PTAB), the court held that "publicly disclosed" is only satisfied if the invention was made available to the public, and a non-confidential but otherwise private sale of an invention is not a sufficient "public disclosure." This case provides a cautionary tale that disclosing or selling an invention before filing a patent application is fraught with risk.

BACKGROUND

Under 35 U.S.C. § 102(a), a person is entitled to a patent unless the invention was already publicly known or included in a patent application before the filing of a patent application (i.e., "prior art"). The Leahy-Smith America Invents Act (AIA) provides exceptions for certain references that would otherwise be considered prior art. *Sanho Corp.* focused on the exception under 35 U.S.C. § 102(b)(2)(B) that disqualifies as prior art third-party patent applications that are filed before an inventor's patent application, but published later. Under this clause, if the inventor or someone who obtained the subject matter from the inventor had already publicly disclosed the subject matter of the purported prior art before the effective filing date of the prior art patent application, then that patent application will not be considered prior art.

The patent at issue, U.S. Patent No. 10,572,429 (the '429 patent), is directed to a "port extension apparatus for providing better usage and utilization efficiency ports of end-user devices." The '429 patent has an effective filing date of April 27, 2017. Kaijet Technology International Limited, Inc. (Kaijet) filed a petition for inter partes review at the Patent Trial and Appeals Board (PTAB) challenging claims of the '429 patent on a number of grounds, all of which included U.S. Patent Application Publication No. 2018/0165053 (Kuo). While Kuo was published on June 14, 2018, after the '429 patent was filed, Kuo had an earlier effective filing date of December 13, 2016, making it prior art under § 102(a)(2).

Sanho contended that Kuo was disqualified as prior art under the § 102(b)(2)(B) exception, because the invention of the '429 patent was "publicly disclosed" by the inventor prior to the effective filing date of Kuo. Specifically, the inventor offered to sell the HyperDrive (i.e., the product alleged to embody the claimed invention of the '429 patent) to Sanho's owner on November 18, 2016. After obtaining a HyperDrive sample, Sanho placed an order for 15,000 HyperDrive units on December 6, 2016, that was accepted by the inventor's company, GoPod Group Ltd.

The Board disagreed with Sanho and found claims 1-6 and 13-17 of the '429 patent unpatentable as obvious in view of Kuo. The PTAB found that Sanho made no showing that the sale of the HyperDrive that predated Kuo's effective filing date was publicized in any way, or that there were any such sales other than the private sale of HyperDrives from the inventor to Sanho. Based on these facts, the PTAB ruled that there was not a public disclosure of the subject matter of Kuo before Kuo's effective filing date, and thus, Kuo qualifies as prior art.

THE FEDERAL CIRCUIT RULES

On appeal to the Federal Circuit, Sanho argued that the phrase "publicly disclosed" under § 102(b)(2)(B) should be construed to include all the "disclosures" described in § 102(a)(1), including situations in which the invention was "on sale," citing

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previous Supreme court precedent. The Federal Circuit disagreed with Sanho's statutory interpretation approach for a few reasons.

First, the court explained that "publicly disclosed" and "disclosed" are two distinct phrases in two separate provisions of § 102(b). By using two separate phrases, "Congress means what it says and says what it means," and, as such, Congress intended the phrases to have different meanings. The addition of "public" was, therefore, an intentional narrowing of "disclosures."

Second, the court saw Sanho's interpretation as "contrary to the purpose of the exception." The court discussed that the purpose of the exception is "protection of an inventor who discloses his invention to the public before filing a patent application because the inventor has made his invention available to the public—a major objective of providing patent protection in the first place." The court found that "publicly disclosed by the inventor" must therefore mean "the invention was made available to the public."

The court also distinguished the cases cited by Sanho relating to "on sale"[2] or "public use"[3] under § 102(a)(1) from "public disclosure" under § 102(b). The court revisited the purpose of § 102(b) and opined that it is "fundamentally different" from that of § 102(a). While the Supreme Court did find that a public use of an invention that did not disclose all features to the public could be found to be invalidating prior art, "there is a difference between a commercial public use and a disclosure that puts the public in possession of the invention," and the Federal Circuit "will not lightly assume that the new statutory phrase 'publicly disclosed' incorporates existing law on the issue of 'public use.'"

Looking to the facts of the case, the Federal Circuit found that it was not "a close question that the relevant subject matter of the invention . . . was 'publicly disclosed' by the sale." The court found that the evidence indicated only a private sale and did not publicly disclose the relevant aspect of the invention to the public subject matter was not publicly disclosed as required by § 102(b)(2)(B) and, as such, Kuo was invalidating prior art.

CONCLUSION

In light of the decision in *Sanho*, inventors should take caution when considering making any disclosures related to an invention prior to the filing of a patent application. On the one hand, there is a risk that the disclosure may not be sufficiently public to disqualify later filed third-party application as prior art, as was exemplified by *Sanho*, and on the other hand, the disclosure may be sufficient to be prior art against the inventor's application. In either scenario, an inventor's ability to obtain a patent becomes an uphill battle. While the AIA provided a few exceptions under § 102(b) for pre-filing disclosures, it is clear the bounds of those exceptions are still being defined. Actions that may define prior art under one section of the statute may not be applicable to the prior art exceptions defined in a different section of the statute. As a best practice, inventors should seek to file a patent application prior to any planned public or private disclosure or sale.

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KEY TAKEAWAYS

- Inventors should take caution when disclosing an invention prior to the filing of a patent application.
- A sale of an invention may not be considered a public disclosure sufficient to disqualify prior art under 35 U.S.C. § 102(b)(2) unless the disclosure is reasonably available to the public.
- A best practice to ensure protection for inventions is to file a patent application prior to any planned disclosures or sales of the invention.

Notes

1. No. 2023-1336 (Fed. Cir. July 31, 2024), https://cafc.uscourts.gov/opinions-orders/23-1336.OPINION.7-31-2024_2359524.pdf.
2. Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc., 586 U.S. 123 (2019).
3. Egbert v. Lippmann, 104 U.S. 333 (1881).