Envirotech Corp. v. Westech Engineering, Inc.: The On-Sale Bar to Patentability and Executory Sales Offers

Stephen R. Schaefer
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The United States patent laws grant an inventor the exclusive right to exploit an invention in exchange for a public disclosure of the invention.1 To obtain a valid patent, the inventor must comply with conditions prescribed by Congress.2 Among these conditions, the "on-sale bar" precludes patent rights to inventors who place their inventions on sale in the United States more than one year before applying for a patent.3 When an in-
ventor fails to apply for a patent within one year of first selling and delivering the invention, the on-sale bar is easy to apply: The actual sale is "smoking gun" evidence that the inventor placed the invention on sale before the "critical date." Once proven, "on-sale" status triggers application of the on-sale bar, which denies any valid, enforceable patent rights for the inventor.

The on-sale bar, however, does not require an actual sale; an offer for sale is sufficient. When the invention owner makes an offer to sell the invention before the critical date, and the terms of the offer provide for delivery after the critical date, application of the on-sale bar becomes much more difficult. The invention owner is often the only party who knows whether he or she is offering the new invention. In addition, the invention owner may make an offer that does not lead to a sale. Consequently, offers to enter into executory sales contracts pose special problems for the courts.

4. The term "critical date" is shorthand for the statement "more than one year prior to the date of application for patent in the United States," which appears in the patent statute. 35 U.S.C. § 102(b) (1988). The "critical date" is thus determined retrospectively from the date of application.

5. See, e.g., A.B. Chance Co. v. RTE Corp., 854 F.2d 1307, 1311, 7 U.S.P.Q.2d (BNA) 1881, 1884 (Fed. Cir. 1988) ("A single offer to sell is enough to bar patentability whether or not the offer is accepted."); Buildex, Inc. v. Kason Indus., Inc., 849 F.2d 1461, 1464, 7 U.S.P.Q.2d (BNA) 1325, 1327 (Fed. Cir. 1988) ("the existence of a sales contract... has been held to demonstrate an 'on sale' status for the invention"); UMC Elecs. Co. v. United States, 816 F.2d 647, 653, 2 U.S.P.Q.2d (BNA) 1465, 1469 (Fed. Cir. 1987) ("An offer to sell a later-claimed invention may be sufficient to invoke the bar whether the offer is accepted or rejected." (emphasis in original)), cert. denied, 484 U.S. 1025 (1988); see also 2 D. CHISUM, PATENTS: A TREATISE OF THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 6.02 [6][a] n.6 (1990) [hereinafter CHISUM ON PATENTS] (citing extensive list of cases holding that an offer to sell is sufficient to invoke the on-sale bar).

6. The noted commentator and author of the leading casebook on patent law, Robert A. Choate, identified the problems of the executory sales offer situation as early as 1965. Professor Choate remarked that "[t]here has been
The United States Court of Appeals for the Federal Circuit, which has exclusive jurisdiction over patent appeals,\(^7\) has addressed repeatedly the on-sale bar issue involving offers to enter into executory sales contracts.\(^8\) The increasing complexity and cost of technology development may explain partially the recurrent nature of this issue.\(^9\) Better explanations, however, are necessary to provide a clearer understanding of the on-sale bar issue in situations where goods were not on hand ready for sale and delivery at the time the offer for sale was made.\(^{11}\) Choate, supra note 3, at 911.


8. For instance, the only three 1990 Federal Circuit Court cases involving the on-sale bar issue were cases where the sale activity consisted of an offer to enter into an executory sales contract. See Manville Sales Corp. v. Paramount Sys., Inc., 917 F.2d 544, 550, 16 U.S.P.Q.2d (BNA) 1587, 1592 (Fed. Cir. 1990) (sale activity was an offer, made before the critical date, to deliver and construct an improved highway rest area lighting pole where delivery was to be completed and payment made after the critical date), aff’d in part and rev’d in part 14 U.S.P.Q.2d (BNA) 1299 (E.D. Pa. 1989); United States Envtl. Prods., Inc. v. Westall, 911 F.2d 713, 716, 15 U.S.P.Q.2d (BNA) 1888, 1900-01 (Fed. Cir. 1990) (offer to deliver sludge dewatering system to city was made before the critical date and delivery was completed after the critical date); Environotech Corp. v. Westech Eng’g, Inc., 904 F.2d 1571, 1572-73, 15 U.S.P.Q.2d (BNA) 1230, 1231-32 (Fed. Cir. 1990) (offer was made before the critical date to deliver a digester system for a wastewater treatment plant after the critical date), rev’d 713 F. Supp. 372, 11 U.S.P.Q.2d (BNA) 1804 (D. Utah 1989), reh’g denied, No. 89-1596 (Fed. Cir. July 2, 1990) (LEXIS, Genfed library, USApp file), reh’g denied, No. 89-1596 (Fed. Cir. Aug. 28, 1990) (LEXIS, Genfed library, USApp file) (en banc).

9. The proposition is that inventors, whether individuals or large businesses, must recoup the up-front “sunk costs” of research and development by securing future sales of the results of the research and development. The potentially enormous and growing costs of technology development is illustrated
ever, are the Federal Circuit's policy-based, on-sale bar inquiry and the factual complexity of cases involving executory sales offers. The Federal Circuit's policy-based analysis involves balancing the needs of the public (avoiding detrimental public reliance upon the free availability of the invention, encouraging early invention disclosures, and preventing pre-application exploitation of the invention) against the needs of the inventor (giving the inventor time to determine whether a patent is a worthwhile investment). Because the Federal Circuit focuses on these policies, some commentators argue that the application of the on-sale bar provision lacks predictability, fails to inform the inventor how to behave, fails to inform the lower courts of the basis for invoking the bar to patentability, and, thus, fosters litigation.

in two examples. First, respecting electronic circuit technology, Richard Foster, director of McKinsey & Company, a management consulting firm, argues:

The rate of effort (dollars per year) has been increasing even more quickly than chip density. This means it is getting more and more expensive to develop each new generation of electronic memories. It took about $100 million to develop the future workhorse of the personal computer — the 256K RAM. What will it take to develop the next generation RAM — the million bit (or megabit) RAM? Probably a good deal more than $100 million.


10. See infra Part I. C. (discussing the policies behind the on-sale bar).

11. For example, one commentator criticized the Federal Circuit's rejection of the bright-line "reduction to practice" on-sale bar rule. The commentator argued that with the bright-line rule

both courts and patent counsel will know that the grace period began when the inventor reduced the ... [invention] to practice. Since there is a well-established body of law for determining when an invention has been reduced to practice, the concerned parties will know with certainty when the grace period began.

Note, UMC Electronics, supra note 3, at 161. In addition, Professor Choate has argued that "[c]ourt decisions could better be based on ... concrete tests than on mere speculation as to what was in the minds of sellers or purchasers when an offer was made or an executory contract entered into." Choate, supra note 3, at 918.

The bright-line rule debate is certainly not unique to patent law jurisprudence. For example, criminal law scholars have debated the propriety of bright-line rules. See, e.g., Bradley, Two Models of the Fourth Amendment, 83 Mich. L. Rev. 1468 (1985) (discussing the uncertainty present in fourth amendment case law and debating the propriety of a rule of reason standard versus bright-line rules in determining violations of a person's fourth amendment constitutional right to be free from unreasonable searches and seizures).
In 1990, the Federal Circuit decided *Envirotech Corp. v. Westech Engineering, Inc.*, requiring, as a threshold to applying the on-sale bar, that the inventor objectively manifest his or her intent to exploit the invention in a definite offer to sell before the critical date. Although this "objective manifestation of intent" requirement may provide more predictability to the on-sale bar issue, application of the requirement in *Envirotech* permitted the inventor's patent to escape the on-sale bar, despite the patent owner's admission of intent to exploit the invention through its executory sales offer. This result, which clearly runs afoul of the policy prohibiting pre-application exploitation, illustrates the impropriety of the court's restrictive bright-line rule.

This Comment urges the Federal Circuit's adherence to a true, policy-based analytical framework for the on-sale bar issue. Part I examines the on-sale bar provision, its policy underpinnings, and the debate over a policy-based, as opposed to a rule-based or even a hybrid, analytical framework for the executory sales offer situation, including an overview of pre-*Envirotech* case law. Part II describes the *Envirotech* decision. Part III critiques *Envirotech*’s analysis of the facts in light of the policies behind the bar and the creation of a bright-line rule. Part III also illustrates that application of a true, policy-based, on-sale bar analytical framework would have yielded a different result in *Envirotech*. This Comment concludes that the Federal Circuit’s use of restrictive bright-line, on-sale bar rules, especially in an executory sales offer scenario, may po-
tentially result in future decisions unfaithful to the policies behind the on-sale bar. This Comment, therefore, urges the courts' adherence to a true, policy-based, on-sale bar analytical framework, especially in executory sales offer situations.

I. THE ON-SALE BAR TO PATENTABILITY

A. THE UNITED STATES PATENT LAW

The United States Constitution provides Congress with the power to promote the progress of science by giving inventors the exclusive right to their discoveries.\(^\text{18}\) The patent laws enacted under this constitutional provision grant an inventor the right to exclude others from practicing the invention for a limited term, typically seventeen years.\(^\text{19}\) This grant is conditioned on the invention meeting the requirements for patentability set forth in the patent laws.\(^\text{20}\)

Two competing theories support the existence of the patent system: the "bargain" theory and the "natural rights" theory. The bargain theory stresses the needs of society. Advocates of this theory view the patent grant as a reward for disclosing the science behind the invention to the public.\(^\text{21}\) The natural rights theory, on the other hand, stresses the rights of the inventor. Advocates of this theory argue that because the inventor has no

\(^{18}\) See supra note 1.


\(^{20}\) See supra note 2.

\(^{21}\) This theory is at least partially supported by the text of the Constitution itself, which enumerates the elements of the potential bargain: promoting the useful arts in exchange for the exclusive right to exploit the invention for a definite length of time. See U.S. Const. art. I, § 8, cl. 8. It also seems to be supported by common sense and the theory underlying the free-enterprise system. As one recent commentator notes:

In analyzing how patents promote scientific progress, the courts have emphasized two mechanisms: first, the prospect of obtaining a patent monopoly provides an incentive to invest in research to make new inventions; and second, the patent system promotes disclosure of new inventions and thereby enlarges the public storehouse of knowledge. Eisenberg, Patents and the Progress of Science: Exclusive Rights and Experimental Use, 56 U. Chi. L. Rev. 1017, 1024 (1989) (citing Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480-81 (1974)).
obligation to disclose the invention, the government must compensate the inventor for disclosure of the invention.\textsuperscript{22} The controversies that erupt between pro- and anti-patent forces tend to involve fundamental disagreements about the theories underlying the patent system.\textsuperscript{23}

\textbf{B. THE ON-SALE BAR TO PATENTABILITY}

One of the conditions for patentability requires the inventor to refrain from placing the invention "on sale in this country, more than one year prior to the date of the application for patent in the United States."\textsuperscript{24} This provision, section 102(b) of

\begin{itemize}
  \item \textsuperscript{22} This theory, too, is supported at least in part by the Constitution, because it mentions the "rights" of inventors. \textit{See} U.S. CONST. art. I, \$ 8, cl. 8. As Senator Daniel Webster of Massachusetts asserted in an 1852 speech praising the patent system:

  \begin{quote}
  The Constitution does not attempt to give an inventor a right to his invention. . . . No such thing. But the Constitution recognizes an original, pre-existing, inherent right of property in the invention, and authorizes Congress to secure to inventors the enjoyment of that right. But the right existed before the Constitution and above the Constitution, and is, as a natural right, more clear than that which a man can assert in almost any other kind of property.
  \end{quote}

  E.B. Lipscomb, \textit{1 Walker on Patents} \textsection 1:9, at 58-59 (3d ed. 1984) [hereinafter \textit{Walker on Patents}].

  \begin{itemize}
  \item A recent commentator, Professor Eisenberg, however, argues that "[t]he framers of the United States Constitution rejected the notion that inventors have a natural property right in their inventions." Eisenberg, \textit{supra} note 21, at 1024 n.27. In support, she quotes Thomas Jefferson, who wrote:

  \begin{quote}
  "Inventions then cannot, in nature, be a subject of property. Society may give an exclusive right to the profits arising from them, as an encouragement to men to pursue ideas which may produce utilities, but this may or may not be done according to the will and convenience of society, without claim or complaint from anybody."
  \end{quote}

  \textit{Id.}

  \item Both of these theories, however, are partially incomplete. The bargain theory denies any absolute right of the inventor to her productivity. She must accept the government bargain or have no protection at all. \textit{See} supra note 2. The natural rights theory is inconsistent with the idea of a limited-term patent grant, \textit{see} supra note 19, because, if the inventor has complete rights to the invention, it is not clear how the government can declare the invention public property after the patent expires. Nevertheless, the ideological underpinnings of the two theories shed light on the debate over the proper balance between the interests of society and those of the inventor.

  \item 35 U.S.C. \textsection 102(b) (1988). In 1836, Congress enacted the first on-sale bar provision in the patent laws. \textit{See} Act of July 4, 1836, ch. 357, \$ 6, 5 Stat. 117, 119 (current version at 35 U.S.C. \textsection 102(b) (1988)). Congress, in enacting this provision, wanted to halt the fraudulent practice of patenting inventions that had long been in public use. \textit{See} S. REP. No. 338, 24th Cong., 1st Sess. 3-4 (1836). This provision, however, allowed no grace period following the sale activity. Three years later in 1839, Congress added a grace period of two years to the on-sale bar provision. \textit{See} Act of March 3, 1839, ch. 88, \$ 7, 5 Stat. 353, 354

\end{itemize}
title 35 of the United States Code, is known as the on-sale bar
to patentability.\textsuperscript{25} The on-sale bar is procedural in
nature;\textsuperscript{26} it limits the period of time in which an inventor may file a patent
application with the United States Patent and Trademark
Office (PTO). Specifically, it provides that an inventor must ap-
ply for a patent within one year of placing the invention on sale
in the United States or lose the patent privilege.\textsuperscript{27}

The on-sale bar operates to preclude patentability either
during the patent application process or during litigation after
issuance of the patent. To help enforce the bar during the ap-
plication process, a patent applicant owes the PTO a duty of
candor to disclose any sale activity that could preclude a patent
grant.\textsuperscript{28} To help enforce the bar after issuance of the patent,

\textsuperscript{25} See supra note 3 (listing extensive commentary on the on-sale bar
issue).

\textsuperscript{26} See, e.g., Note, UMC Electronics, supra note 3, at 153 (noting that “the
on sale bar is in the nature of a statute of limitations”).

\textsuperscript{27} The patent laws of most other countries, including Japan and all
members of the European Economic Community, do not allow any grace pe-
riod after sale activity. See J.W. BAXTER, 2 WORLD PATENT LAW AND PRACTICE
\S\S\ 4-2 to 4-3, 4-25 to 4-26 (1990). The countries that allow a grace period
after sale activity are Haiti (one year), the Philippines (one year), S.W. Africa
(two years, but only sales outside S.W. Africa), and the United States (one
year). See id. \S\S\ 4-25 to 4-26.

\textsuperscript{28} See 37 C.F.R. \S\ 1.560(b) (1990). Because the patent process is ex parte
and because that process inures to the benefit of the applicant, this duty of
candor is meant to balance the unfairness that otherwise would occur if the
applicant were to have the benefits of an ex parte process without any corre-
(BNA) 532, 544 (C.C.P.A. 1970) (“The ex parte prosecution and examination of
a patent application must not be considered as an adversary proceeding and
should not be limited to the standards required in inter partes proceedings.”).
A breach of the duty of candor can result in the PTO not issuing a patent, or a
court rendering an issued patent unenforceable. See generally 4 WALKER ON
PATENTS, supra note 22, \S\ 12:4, at 16-22 (discussing the duty of candor, the
standard courts use to find a breach of that duty, and the results of a breach).
In addition, if the duty of candor is breached to the extent of an actual fraud,
attorney fees may be awarded against the defaulting party in a later lawsuit.
the patent laws allow persons sued for patent infringement to defend against the suit by using the on-sale bar to invalidate the patent.29

The Federal Circuit has established a general framework for addressing the on-sale bar issue during litigation. A challenger to the patent’s validity must prove, by clear and convincing evidence,30 that the patent holder made a definite sale or offer to sell the invention before the critical date.31 The challenger must show additionally that the subject matter of the sale activity corresponds to the subject matter of the patent.32 If the challenger fulfills these burdens, he or she has established a prima facie case for applying the on-sale bar to invalidate the patent.33 The patent owner, however, has several defenses to the prima facie case. For example, the patent

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29. The patent laws provide that a “patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281 (1988). The patent laws also provide the alleged infringer with a defense upon showing “[i]nvalidity of the patent or any claim in suit on any ground specified in part II [including the on-sale bar requirement] of this title as a condition for patentability.” Id. § 282(2). Finally, a party who wishes to use a patent, believing it to be invalid, also can seek a federal court declaration that the patent is invalid. See 28 U.S.C. § 2201 (1988). If the party seeking the declaration demonstrates that a real controversy about the patent exists, the court will allow the suit. See Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240-41 (1937).

30. Courts defer to the PTO’s judgment and presume a patent to be valid; thus, the patent laws require clear and convincing evidence for a court to invalidate a patent. See 35 U.S.C. § 282 (1988).


32. Id. The standard for finding that the subject matter of the sale activity corresponds to the subject matter of the patent is analogous to an “obviousness” analysis under 35 U.S.C. § 103 (1988). Section 103 requires, as a condition to patentability, that “[a] patent may not be obtained... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103 (1988). Thus, if that which was placed on sale renders that which is sought to be patented obvious to a person having ordinary skill in the pertinent art, the “subject matter” requirement of the Federal Circuit’s on-sale bar inquiry is satisfied. The Federal Circuit refers to this analysis as the “102(b)/103 analysis.” See UMC Elecs., 816 F.2d at 650-51 n.4, 2 U.S.P.Q.2d (BNA) at 1467 n.4; Note, UMC Electronics, supra note 3, at 146-52 (discussing and criticizing the Federal Circuit's 102(b)/103 analysis).

33. See UMC Elecs., 816 F.2d at 656, 2 U.S.P.Q.2d (BNA) at 1472.
owner may negate application of the bar on the ground that, at the
time of the sale activity, the invention was not sufficiently
perfected to be placed on sale,\(^{34}\) or that the sale was made for
the purpose of experimental testing.\(^{35}\) The court conducts all
of these factual inquiries within a framework that accommo-
dates the policies behind the on-sale bar.\(^{36}\)

C. POLICIES BEHIND THE ON-SALE BAR

The Federal Circuit has articulated repeatedly four policies
behind the on-sale bar: the policy against allowing the inventor
to exploit the invention commercially for a term substantially
greater than the statutorily authorized period; the policy
against removing from the public any inventions that it has jus-
tifiably come to believe are freely available; the policy favoring
prompt, widespread public disclosure of new inventions; and
the policy allowing the inventor a reasonable amount of time
following sales activity to determine whether a patent is a
worthwhile investment.\(^{37}\)

\(^{34}\) Id. at 657, 2 U.S.P.Q.2d (BNA) at 1472. An "invention" is generally
considered that which is not obvious in light of existing techniques and tech-
nology. See supra note 32 (discussing the non-obviousness condition to patent-
ability). Therefore, if the inventiveness (i.e., that which made the thing
nonobvious) occurred after the sale activity, the patent owner may escape the
on-sale bar if she had not yet, at the time of the offer, invented, and thus did
not intend to offer, that which was patented.

\(^{35}\) The on-sale bar is avoided if the primary purpose of the sale was ex-
perimental. See United States Envtl. Prods., Inc. v. Westall, 911 F.2d 713, 716,
15 U.S.P.Q.2d (BNA) 1898, 1901 (Fed Cir. 1990); Baker Oil Tools, Inc. v. Geo
Vann, Inc., 828 F.2d 1558, 1563, 4 U.S.P.Q.2d (BNA) 1210, 1213-14 (Fed. Cir.
1987); UMC Elecs., 816 F.2d at 657, 2 U.S.P.Q.2d (BNA) at 1472. The purpose,
whether for experimental or for commercial purposes, of an alleged sale is
measured by the totality of the circumstances. See, e.g., United States Envtl.
Prods., 911 F.2d at 716-18, 15 U.S.P.Q.2d (BNA) at 1901-02. These circum-
stances include the necessity for third-party testing, the amount of control re-
tained by the inventor over the buyer's use, the length of the test period,
whether any payment was made for the invention, whether there was any se-
crecy obligation on the part of the buyer, whether progress records were kept,
whether persons other than the inventor conducted the asserted experiments,
and the length of the test period in relation to test periods of similar devices.
See Rooklidge, supra note 3, at 557.

\(^{36}\) See UMC Elecs., 816 F.2d at 652, 2 U.S.P.Q.2d (BNA) at 1469.

\(^{37}\) Envirotech Corp. v. Westech Eng'g, Inc., 904 F.2d 1571, 1574, 15
U.S.P.Q.2d (BNA) 1230, 1232 (Fed. Cir. 1990) (citing King Instrument Corp. v.
Otari Corp., 767 F.2d 853, 860, 226 U.S.P.Q. (BNA) 402, 406 (Fed. Cir. 1985) (cit-
ing In re Caveny, 761 F.2d 671, 676, 226 U.S.P.Q. (BNA) 1, 4 (Fed. Cir. 1985)),
1804 (D. Utah 1989), reh'g denied, No. 89-1596 (Fed. Cir. July 2, 1990) (LEXIS,
Genfed library, USApp file), reh'g denied, No. 89-1596 (Fed. Cir. Aug. 28, 1990)
(LEXIS, Genfed library, USApp file) (en banc).
1. The Policy Against Pre-Application Exploitation

The patent laws grant the inventor the right to exclude others from practicing the invention for a limited term. This "right to exclude others" effectively permits the patent owner to practice the invention free from competition. The monopolistic nature of the patent grant is at odds with the idea of a market economy which is dedicated to the principle that a competitive marketplace is in the public's best interest. The policy and economic theory behind the antitrust laws warrant a strict adherence to the term of the patent grant. When an inventor exploits the invention before the critical date, she effectively extends the patent grant beyond the term that Congress intended. Accordingly, courts interpret the on-sale

38. 35 U.S.C. § 271 (1988). Contrary to popular belief, the patent laws do not grant the inventor the affirmative right to practice her patented invention. Practicing one's patented invention may infringe another's patent rights, as is the case with a patented invention that is an improvement of a more basic invention. And if that basic invention is also protected by a patent, the owner of the improvement patent, in order to practice her patented invention, may need to obtain a license from the basic patent owner. See generally Cheung, Property Rights and Invention, 8 RES. L. & Econ. 5, 12-14 (1986) (discussing the economic issues of "blocking" patents).

39. Of course, not all patents confer great economic wealth on the patent owner. The economic reward that the patent grant confers on the owner depends primarily on the breadth of the patent grant (i.e., whether the patent covers a pioneering invention) and the existence of non-infringing substitutes. See generally F. Sherer, Industrial Market Structure and Economic Performance 442-48 (2d ed. 1980) (discussing the factors affecting the patent owner's profits derived from the patented invention).

40. See H. Hovenkamp, Economics and Federal Antitrust Law 1-24 (1985). Commentators disagree, however, as to what degree of economic concentration is in the best interest of the consumer and whether consumer interests are paramount. Compare R. Bork, The Antitrust Paradox: A Policy at War With Itself 163-401 (1978) (illustrating how the antitrust laws recurring hostility to big business, far from protecting the consumer against monopolistic depredations, has encouraged a special and costly form of protection for inefficient and uncompetitive small businesses) with Schwartz, "Justice" and Other Non-Economic Goals of Antitrust, 127 U. Pa. L. Rev. 1076, 1078 (1979) (arguing that "[t]he dogma that 'antitrust laws protect competition not competitors' overstates the case and ignores considerations of justice"). Nevertheless, the general policy against trade restraints collides with the patent laws. See, e.g., SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203, 209 U.S.P.Q. (BNA) 893, 899 (2d Cir. 1981) (stating that "[w]hen, however, the patented product is so successful that it evolves into its own economic market . . . or succeeds in engulfing a large section of a preexisting market, the patent and antitrust laws necessarily clash"), cert. denied, 455 U.S. 1016, 215 U.S.P.Q. (BNA) 96 (1982), reh'g denied, 456 U.S. 985 (1982).

41. "Exploit" means commercial exploitation, not experimentation. See infra notes 59-60 and accompanying text.

42. In King Instrument Corp. v. Otari Corp., 767 F.2d 853, 226 U.S.P.Q.
bar to prevent exploitation that extends the term of the patent grant.43

2. The Policy to Avoid Detrimental Public Reliance

Sale activity involving an invention may result in a disclosure44 that, in the absence of a valid patent or pending patent application, may cause the public to practice the invention in the reasonable belief that the invention is freely available.45 Subsequently taking this invention from the public by granting

(BNA) 402 (Fed. Cir. 1985), cert. denied, 475 U.S. 1016 (1986), the Federal Circuit characterized the policies against pre-application commercial exploitation as including "prohibiting an extension of the period for exploiting the invention." Id. at 860, 226 U.S.P.Q. (BNA) at 406. As one commentator put it: "The policy against pre-application commercial exploitation is, simply stated, to 'prevent the commercial exploitation of an invention as a trade secret for more than one year' before filing a patent application." Rooklidge & von Hoffmann, supra note 3, at 40 (footnote omitted). Another commentator states that "[t]he policy was the need to prevent an inventor from holding back the secret of his invention while at the same time exploiting them and thereafter applying for a limited monopoly when faced with competition, thus delaying the time when the invention becomes freely available to the public." Zieg, supra note 3, at 470. Thus, the policy is triggered whether or not there is a disclosure by means of a sale to the public. See id. at 471; Note, New Guidelines, supra note 3, at 734.

Additionally, courts have long held that the determination of whether the inventor engaged in permissible or impermissible exploitation depends on whether the inventor made a "definite offer" for sale. UMC Elecs. Co. v. United States, 816 F.2d 647, 656, 2 U.S.P.Q.2d (BNA) 1465, 1472 (Fed. Cir. 1987), cert. denied, 484 U.S. 1025 (1988). Because, however, commercial activity can raise the on-sale bar even if it is not an offer to sell in the contract sense, see RCA v. Data Gen. Corp., 887 F.2d 1056, 1062, 12 U.S.P.Q.2d (BNA) 1449, 1454 (Fed. Cir. 1989); Rooklidge, supra note 3, at 552; Rooklidge & von Hoffmann, supra note 3, at 40-41, the "definite offer" requirement seems to be nothing more than a requirement that the commercial activity must actually implicate the policy against pre-application exploitation.

43. The Federal Circuit also has stated that the policy against pre-application exploitation is a central policy concern of the on-sale bar. See King Instrument, 767 F.2d at 860, 226 U.S.P.Q. (BNA) at 406.

44. As one commentator notes:

[I]tems are commonly sold with an instruction manual or a list of contents disclosing the detailed workings or constituent parts, often at the express demand of a prospective customer. Thus, actual or attempted sales of an invention may cause the public to reasonably rely on the belief that the information disclosed is in the public domain.

Note, New Guidelines, supra note 3, at 733. The concern will perhaps be greater in the executory sales situation. Not having a delivered product, the purchaser will be all the more likely to demand information regarding the detailed workings of the offered product.

45. See S. REP. NO. 876, 76th Cong., 1st Sess. 1 (1939) (indicating a concern that "the public may . . . come to believe that the invention is open to anyone"); H.R. REP. NO. 961, 76th Cong., 1st Sess. 1 (1939) (same).
a patent to the inventor may be unfair to a person who has relied on the invention's free availability and, as a result, has invested capital in development, manufacturing, or marketing to exploit the invention.\(^4\) Thus, Congress intended, and courts have interpreted, the on-sale bar to avoid the unfairness of detrimental public reliance.\(^4\)

3. The Policy Encouraging Early Invention Disclosures

The publication of patents promotes the progress of science by adding to the pool of technical knowledge. Such additions

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\(^4\) See supra note 24 (citing the on-sale bar provision's legislative history); Manville Sales Corp. v. Paramount Sys., Inc., 917 F.2d 544, 550, 16 U.S.P.Q.2d (BNA) 1587, 1592 (Fed. Cir. 1990) (policies underlying on-sale bar include "discouraging the removal of inventions from the public domain which the public justifiably comes to believe are freely available" (quoting King Instrument Corp. v. Otari Corp., 767 F.2d 853, 860, 226 U.S.P.Q. 402, 406 (Fed. Cir. 1985), cert. denied, 475 U.S. 1016 (1986))). Because, however, the inventor is able to prevent the belief that the invention is freely available in the sale context, the policy to avoid detrimental public reliance is not implicated in the typical on-sale bar case. See Rooklidge & von Hoffmann, supra note 3, at 37.
inure to the public’s benefit and spur further inventiveness.\textsuperscript{48} The sooner an inventor discloses an invention in a patent application, the sooner the public will learn of the new technology behind the invention.\textsuperscript{49} The public, however, only benefits from accurate public disclosures.\textsuperscript{50} If inventors are rushed, the number of defective patent applications will increase accordingly. This in turn increases needlessly the workload of the PTO. It also increases the number of defective disclosures in issued patents which may mislead future scientific research that relies on the accuracy of the patent disclosure and may burden the courts with more challenges to patent validity.\textsuperscript{51} Thus, courts interpret the on-sale bar to encourage inventors to give to the public, as early as practicable, technically accurate information regarding useful inventions.\textsuperscript{52}

4. The Policy Giving the Inventor Time Before Filing

There are costs involved in obtaining a patent — most significantly, the inventor’s time, attorney fees, and filing fees.\textsuperscript{53} An inventor faces a difficult determination as to whether a pat-

\textsuperscript{48} See Eisenberg, supra note 21, at 1022; Rooklidge & von Hoffmann, supra note 3, at 38; Note, New Guidelines, supra note 3, at 733; Note, UMC Electronics, supra note 3, at 137 n.45.

\textsuperscript{49} The public only receives the inventor’s specification of her invention if and when a patent issues. See 35 U.S.C. § 112 (1988). On the average, the patenting process take 19.9 months from filing to issuance of the patent. PTO Commissioner Donald J. Quigg’s Address to the ABA Conference, 38 PAT., TRADEMARK & COPYRIGHT J. 465, 466 (1989).

\textsuperscript{50} See Rooklidge & von Hoffmann, supra note 3, at 39 (noting that “this policy should only be triggered when the inventor can satisfy the enabling disclosure requirement of 35 U.S.C. § 112”). An “enabling disclosure” is that which is sufficient to enable a skilled person to make and use the invention. See 35 U.S.C. § 112 (1988).

\textsuperscript{51} See UMC Elecs. Co. v. United States, 816 F.2d 647, 664-65, 2 U.S.P.Q.2d (BNA) 1465, 1478 (Fed. Cir. 1987) (Smith, J., dissenting) (arguing that the effect of eliminating the on-sale bar reduction to practice requirement is that the “technology community . . . will file more ‘paper patents’ . . . merely add[ing] to the clutter of unproved patents in the PTO and in the courts, requiring fees, examinations, lawyers, trials and appeals, all of which disserve both the inventing and the using communities”), cert. denied, 484 U.S. 1025 (1988).


\textsuperscript{53} See Roberts, Patent Office will be User-Financed, L.A. Daily J., Oct. 18, 1990, at 7, col. 5. Patent attorneys typically charge between six to ten thousand dollars to file a patent with the PTO. This includes attorney and filing fees. Should the PTO initially reject the patent, which frequently happens, the patent owner may incur additional attorney fees to amend and refile the patent application. Also, the inventor may incur additional costs in an interference action which occurs if other patent applications from other inventions
ent will confer sufficient economic returns to justify the costs of the patenting process. Additionally, the inventor's attorney may need to determine whether the invention involves subject matter that is patentable, and if so, the attorney must draft the patent application. These considerations led Congress to provide the inventor with a grace period. Currently, that grace period is statutorily set at one year from the time of the sale activity.

In addition, the invention may require further testing to determine whether it will be useful. Thus, courts recognize that sale activity for purposes of determining the usefulness of the invention, namely “experimentation,” does not trigger the running of the grace period. Courts, however, do not consider experimentation to include market testing or attempts to develop buyer demand for the invention. Such a purpose falls

contain the same or a similar invention. Interview with Grady Frenchick, Patent Attorney, Minneapolis, Minnesota (Apr. 4, 1991).

54. See S. REP. No. 338, 24th Cong., 1st Sess. 6 (1836) (noting that an inventor usually needs some time to perfect the invention before being confident enough to apply for a patent). In addition, patenting may not be the most effective way to protect the inventor’s rights; trade secret or copyright protection may be the appropriate avenue. See generally 2 WALKER ON PATENTS, supra note 22, § 8:2 (discussing the option of protecting the rights of an invention through the law of trade secrets).

55. See Note, New Guidelines, supra note 3, at 735 (discussing the time and effort required in preparing a patent application); Choate, supra note 3, at 907 (noting that “many of the swift moving months of that all too short ‘year’ may be consumed in the attorney’s office in the preparation of drawings and in the draft and redraft of an application”).

56. The grace period is, in a sense, a statute of limitations which begins to run when the impermissible sale activity occurs. See supra note 26. If the inventor fails to file a patent application before the one-year grace period expires, the inventor loses the patent right. See 35 U.S.C. § 102(b) (1988).

57. See supra note 24 (tracing the evolution of the statutory grace period from no grace period established in the first on-sale bar provision in 1836, to a two-year grace period established in 1839, and finally to the current one-year grace period established in 1939).

58. Inventions are required to be “useful” to be patentable. 35 U.S.C. § 101 (1988). To comply with this requirement, the invention need not be superior to existing products and processes; it only needs to be operable and capable of use to achieve some human purpose that is not illegal, immoral, or contrary to public policy. See 1 CHISUM ON PATENTS, supra note 5, § 4.01.

59. See supra note 35 (discussing the experimental use doctrine, which negates what the courts would otherwise consider on-sale barred sale activity). Once the invention is reduced to practice, the experimental use justification is not available to the inventor as a matter of law. See Rooklidge & von Hoffmann, supra note 3, at 49 (arguing that if the inventor’s activity was not for the purpose of reducing her invention to practice, the experimental use justification does not apply and the on-sale bar then does apply).

60. In re Smith, 714 F.2d 1127, 1135, 218 U.S.P.Q. (BNA) 976, 983 (Fed.
into the category of commercial exploitation rather than experimentation.

5. The Policy Balance

Commentators seem to agree that if the inventor's sale activity implicates any of the policies that favor the public, the on-sale bar will attach unless countered by one of the policies that favor the inventor. Courts, however, never apply the on-sale bar when the inventor's activity does not implicate the policy against pre-application exploitation. Thus, it seems that a more accurate statement of the policy balance is that in order to trigger the running of the on-sale bar grace period, the inventor's activity must implicate the policy against pre-application exploitation. The implication of any additional policies favoring the public further justifies invoking the on-sale bar. An inventor's activity that implicates either the policy avoiding detrimental public reliance or the policy encouraging early invention disclosures may warrant application of the public use bar, but each does not, by themselves, warrant the application of the on-sale bar.

D. Bright-Line Rules Versus a Policy-Based Analysis in On-Sale Bar Jurisprudence Involving Executory Sales Offers

The course of on-sale bar jurisprudence illustrates the debate over whether to use a policy-based framework or a rule-
based framework to determine whether to apply the on-sale bar to situations involving an inventor who makes an offer to enter into an executory sales contract that provides for delivery after the critical date. The policies of avoiding detrimental public reliance, encouraging early invention disclosures, and preventing pre-application exploitation all favor application of the on-sale bar to patentability. Conversely, the policy of giving the inventor a grace period is the only policy that favors non-application of the on-sale bar. Thus, a policy-based analysis tends to favor society's interests at the expense of the inventor, while bright-line rules tend to limit the importance assessed to the policies and society's interests benefiting the inventor's interests.65

1. The Executory Sales Offer

Courts have found it difficult to apply the on-sale bar to executory sales offers; the problem is essentially one of proof.66 With only an offer for sale, no "smoking gun" evidence exists in the form of an article actually sold. Inventors can capitalize on this proof problem by not disclosing their invention in a written sales offer. An inventor may be able to describe an older technology — or describe no technology at all — in the written offer, yet still exploit the new invention through that same offer. The inventor thereby exploits the invention beyond the one-year grace period, yet a court probably could not find clear and convincing evidence of a definite offer to sell the invention.

2. Pre-Federal Circuit Cases

Early courts established bright-line rules based on the nature of the sales agreement, arguing that the form of the sales agreement is most probative of whether an inventor has placed the invention on sale.67 Later courts stressed the importance of

65. See Dreyfuss, supra note 7, at 18 (noting that the Federal Circuit rejected a pro-patentee approach to the on-sale bar provision by rejecting in UMC Electronics Co. v. United States a bright-line reduction to practice rule for application of the bar).
66. See supra notes 4-6 and accompanying text.
67. An early doctrine of executory sales contracts was laid down in the seminal case of McCreery Eng'g Co. v. Massachusetts Fan Co., 195 F. 498 (1st Cir. 1912). In this case, the court broadly held that an executory contract, entered into before the critical date, that provided for the manufacture and delivery of an apparatus after the critical date, was not an on-sale bar. Id. at 501. Specifically, the court stated:

The distinction between an executory contract to construct and to
the inventor's intent to exploit the invention and rejected bright-line rules based on the form of the sales agreement.\textsuperscript{68}
Thus, the courts' on-sale bar analytical framework tended generally, over time, toward a policy-based framework. Courts did not, however, reach consensus as to the weight that they should give to each of the policies.\textsuperscript{69}

3. Pre-Envirotech Federal Circuit Cases

The Federal Circuit's approach to the on-sale bar issue requires courts to consider the totality of the circumstances on a

pass title in the future and putting an article 'on sale' is substantial and is not merely one of the 'witty diversities' of the law of sales. Especially is that distinction important when such an executory contract is for the manufacture or construction which constitutes the first reduction to practice.


This strict rule against application of the on-sale bar applied to all executory sales contract situations. One commentator, however, stated that the general rule at this time was that, regardless of the intent to exploit, "a contract to construct from plans and deliver in the future is not an 'on sale' bar when entered into prior to the critical date in a situation where the device or apparatus has never been completed prior to the critical date." Choate, \textit{supra} note 3, at 913.

\textit{Id.} at 94.

\textit{Id.} at 94.

\textit{Id.} at 94.

\textit{Id.} at 94.

For instance, the Sixth Circuit in Huszar v. Cincinnati Chem. Works, 172 F.2d 6, 80 U.S.P.Q. (BNA) 466 (6th Cir. 1949), relied on the policy against pre-application exploitation to invoke the on-sale bar in an executory contract situation. \textit{Id.} at 10, 80 U.S.P.Q. (BNA) at 467. The Sixth Circuit specifically stated:

\begin{quote}
[T]he inventors' right to a patent is conditioned upon refraining from exploiting his discovery competitively after the invention is ready for patenting; that while the statute allows him a limited period . . . to give him time to prepare an application, if he goes beyond that period of probation he forfeits his right regardless of how little the public may have learned about the invention.
\end{quote}

\textit{Id.} In addition, the district court in Triplett v. Line Material Co., 53 U.S.P.Q. (BNA) 93 (N.D. Ill. 1942), \textit{aff'd}, 133 F.2d 533, 56 U.S.P.Q. (BNA) 398 (7th Cir. 1943), stated:

The fact that Congress in 1939, reduced the period of two years' permissible public use or sale prior to an application to one year, seems to the court to indicate a public policy to the effect that a public use or sale, which is in fact a public use or sale, shall not be allowed to be whittled away by refinements in argument.

\textit{Id.} at 94.

\textit{Id.} at 94.
case-by-case basis in comport with the policies behind the on-sale bar. This approach is necessary because the policies define the on-sale bar rule. In developing the totality of the circumstances approach, the Federal Circuit has expressed disfavor toward bright-line rules. In so doing, the Federal Circuit has engaged in an extensive policy analysis to conclude that “reduction to practice” is not absolutely required to invoke the on-sale bar.

Further, early patent jurisprudence required courts to find “exact identity” between the offered product and the patented invention before applying the on-sale bar. See, e.g., Delong v. Raymond Int'l, Inc., 622 F.2d 1135, 1141, 206 U.S.P.Q. (BNA) 97, 101 (3d Cir. 1980) (“In order to sustain a finding of invalidity under the ‘on sale’ bar ... it must be shown that the alleged invalidating sale was of a device substantially identical to that claimed under the terms of the patent”); see also 2 CHIUSUM ON PATENTS, supra note 5, § 6.020 [3] n.2 (citing numerous cases that seem to focus on the identity of patented and on-sale items). “Exact identity” as a term of art essentially meant a strict requirement that the product offered for sale had to be exactly the same as that to which the patent owner has exclusive rights in her patent. As a practical matter, if any element of the patented invention did not exist in the product offered for sale, the court could not find “exact identity” and no on-sale bar. Courts have long felt that this strict requirement stifled the furtherance of the first three policies undergirding the on-sale bar. The Federal Circuit therefore does not require “exact identity;” it requires only that the offered invention would have made the patented invention obvious to one skilled in the art. “A patent may not be obtained ... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a per-
Circuit argued that rigid rules are inappropriate because on-sale bar analysis must turn ultimately on the policies behind the bar.\textsuperscript{73}

Before \textit{Envirotech}, the Federal Circuit addressed whether to apply the on-sale bar in several cases in which the inventor made an offer before the critical date to enter into an executory sales contract providing for delivery after the critical date. Two cases, described below, illustrate how the Federal Circuit has applied its policy-based analytical framework to the factual context of an executory sales offer.

In the 1985 case of \textit{King Instrument Corp. v. Otari Corp.},\textsuperscript{74} the Federal Circuit addressed the on-sale bar as applied to an inventor who made an ambiguous executory sales offer before the critical date.\textsuperscript{75} The district court had found that the offer


"The cases dealing with [section] 102(b) of the Patent Act are in a state of confusion resulting from an attempt to establish hard and fast rules of law based upon overly refined legal distinctions. The area sought to be governed by these rules, however, encompasses an infinite variety of factual situations which, when viewed in terms of the policies underlying [section] 102(b), present an infinite variety of legal problems wholly unsuited to mechanically-applied, technical rules." \textit{UMC Elecs.}, 816 F.2d at 654, 2 U.S.P.Q.2d (BNA) at 1470 (quoting \textit{Philco}, 119 F. Supp. at 815, 131 U.S.P.Q. (BNA) at 428-29).


75. The patent related to an automated apparatus for loading magnetic (blank or pre-recorded audio or video) tape into closed cassettes. \textit{Id.} at 855, 226 U.S.P.Q. (BNA) at 403. The inventor filed a patent application on May 27, 1971. \textit{Id.} at 859, 226 U.S.P.Q. (BNA) at 406. A machine was offered for sale in a written price quote on May 22, 1970 — before the critical date of May 27, 1970. \textit{Id.} at 859, 226 U.S.P.Q. (BNA) at 406. The parties disputed, however, whether the inventor in the price quote had offered the new, not-yet-patented machine or an older machine. \textit{Id.} at 860-61, 226 U.S.P.Q. (BNA) at 407. Nevertheless, the offer resulted in acceptance on June 8, 1970, and the customer received delivery of two machines on June 17, 1970. \textit{Id.} at 859, 226 U.S.P.Q. (BNA) at 406. The parties also disputed whether the machines received were
was for the new, not-yet-patented machine, as opposed to an older machine, and therefore, the patent was invalid under the on-sale bar.\textsuperscript{76} The patent owner argued that, because nothing in the offer identified the subject matter of the invention, and because no notice was given to the purchaser that a new or different machine existed, insufficient intent existed to find the invention on sale.\textsuperscript{77} Emphasizing the policy against pre-application exploitation,\textsuperscript{78} the Federal Circuit rejected the patent owner’s argument and held instead that a purchaser need not have actual knowledge that the offer involved the invention in order for the patent to be barred under the on-sale bar.\textsuperscript{79} The Federal Circuit then analyzed the totality of the circumstances and affirmed the district court’s finding that there was an offer for sale, which triggered the application of the on-sale bar.\textsuperscript{80}

\textsuperscript{76} Id. at 859, 226 U.S.P.Q. (BNA) at 406.

\textsuperscript{77} To support its argument, the patent owner argued that the language in the quote at issue was consistent with language used in quotes for the older machine, the quote contained no reference as to how the machine worked, the quote contained only general performance language that did not reveal which type of machine was being offered, the customer was “surprised” when the new machine was delivered, and the new machine had the same name as the older machine. Id. at 860-61, 226 U.S.P.Q. (BNA) at 407.

\textsuperscript{78} Specifically, the court stated that “[t]he policies underlying the on sale bar . . . concentrate on the attempt by the inventor to exploit his invention, not whether the potential purchaser was cognizant of the invention.” Id. at 860, 226 U.S.P.Q. (BNA) at 407.

\textsuperscript{79} Id. (citing In re Blaisdell, 242 F.2d 779, 783, 44 C.C.P.A. 846, 850, 113 U.S.P.Q. (BNA) 289, 292 (1957)).

The court’s holding was limited, however, by the requirement that the purchaser must know generally how the machine embodied in the offer will perform. Id. (citing In re Dybel, 524 F.2d 1393, 1400, 187 U.S.P.Q. (BNA) 593, 598 (C.C.P.A. 1975)). The court stated that this was the case because the descriptions contained in the inventor’s price quotation generally informed the purchaser how the machine would perform. Id.

\textsuperscript{80} In the court’s analysis of the totality of the circumstances, it first noted that the offer included a 40% allowance for the old machines. Id. at 861, 226 U.S.P.Q. (BNA) at 407. The court reasoned that because the offer included a discount if the purchaser returned the old machines, the offer must have respected the sale of the newer, not-yet-patented machines. Id. The court also found sufficient evidence to support a finding that the machine delivered by King under the executory contract was the machine that actually embodied the patented invention. Id. The Federal Circuit noted that the customer, in his “unbiased live testimony,” testified that he “was convinced that the two machines received” were the new machines. Id. The court went on to state that the delivered product evidences what the offeror intended to offer for sale. Id.
In the 1989 case of *RCA Corp. v. Data General Corp.*, the Federal Circuit again addressed the on-sale bar as applied to an ambiguous offer for sale made before the critical date. The district court had found that the inventor had offered the invention for sale before the critical date. The patent owner argued that the offer did not trigger the on-sale bar, because the offer itself did not disclose the invention. The court rejected this argument as legally incorrect. The court then held that testimonial evidence was sufficient to prove that the offer for sale did in fact offer the invention.

The Federal Circuit in *RCA*, as in *King Instrument*, then analyzed the totality of the circumstances and affirmed the district court's finding that there was an offer for sale that triggered the application of the on-sale bar.


82. The invention involved in this case related to a display system for computer generating alphanumeric characters on a standard raster scan television monitor. *Id.* at 1058, 12 U.S.P.Q.2d (BNA) at 1451. The inventor filed a patent application on October 16, 1963. *Id.* In August, 1962, the Federal Aviation Administration sent a request for proposals, along with engineering requirements, for character generation equipment to 10 companies. *Id.* at 1059, 12 U.S.P.Q.2d (BNA) at 1452. In response, RCA submitted to the FAA a proposal to deliver its display system on October 8, 1962 — before the critical date of October 16, 1962. *Id.*


84. *Id.* The court also noted that "merely offering to sell a product by way of an advertisement or invoice may be evidence of a definite offer for sale or a sale of a claimed invention even though no details are disclosed." *Id.* (emphasis in original).

85. *Id.* Stated more broadly, the court held: "That the offered product is in fact the claimed invention may be established by any relevant evidence, such as memoranda, drawings, correspondence, and testimony of witnesses." *Id.*

86. In its analysis of the totality of the circumstances, the Federal Circuit noted the fact that the designer of the system named in the offer testified that the offered system was the patented invention with additional components, and that that testimony was "never disavowed." *Id.* The court also noted that "the bid documents themselves contain a technical description which is sufficient to identify the [patented] invention, albeit not set forth in the language of the claims in haec verba." *Id.* at 1060, 12 U.S.P.Q.2d (BNA) at 1452-53.

87. RCA made other arguments (related to the offer) challenging the district court's ruling. For instance, RCA also argued that, because the offer was for experimental development there was no "definite offer." *Id.* at 1062, 12 U.S.P.Q.2d (BNA) at 1454. In rejecting this argument, the court first noted that the "definite offer" requirement may be met by a patentee's commercial activity that does not rise to the level of a formal offer under contract law.
II. ENVIROTECH: A SHIFT FROM POLICY TO A BRIGHT-LINE RULE

In the 1990 case of *Envirotech Corp. v. Westech Engineering, Inc.*, the Federal Circuit considered again the proper application of the on-sale bar in the context of an offer to enter into an executory sales contract. The case arose when Envirotech, as owner of the patent rights for an improved component used in a wastewater treatment system, sued Westech for infringement. Westech defended by arguing that the court should apply the on-sale bar to invalidate Envirotech’s patent. Westech argued that Envirotech had submitted bids before the critical date to all prime contractors to supply a certain component part in a wastewater treatment plant construction project. Although the bids disclosed an older design, rather than

principles. *Id.* (citing General Elec. Co. v. United States, 206 U.S.P.Q. (BNA) 260, 276-77 (Ct. Cl. Tr. Div. 1979), and its analysis of pre-bid activities related to a government contract). The court then reasoned that “a definite offer in the contract sense clearly meets this requirement,” that “an offer to conduct experimental work may be as firm and definite, in the contract sense, as an offer to sell a product,” and that “a definite offer is not made *indefinite* because it concerns experimental work.” *Id.* Analyzing the facts, the court noted that “RCA’s bid was embodied in a lengthy written proposal providing background information, a detailed delivery schedule, a rate of completion of the proposed work and a separate section on financial data and costs.” *Id.* Thus, the court held that RCA had made a “definite offer.” *Id.*

Also, RCA argued that because the FAA contract was for “services” to design and develop a prototype, no “thing” was offered for sale. *Id.* at 1062, 12 U.S.P.Q.2d (BNA) at 1454-55. The court rejected this argument as well by arguing that the court must consider the totality of the circumstances, and under such an analysis, commercialization is not disproved because a certain label is attached to the type of offer. *Id.* at 1063, 12 U.S.P.Q.2d (BNA) at 1455.


89. The patent covered an improved ballasted digester cover used in wastewater treatment plants. *Id.* at 1572, 15 U.S.P.Q.2d (BNA) at 1230. In essence, the invention allowed for the construction of these immense concrete covers using much less concrete, thereby significantly reducing the cost of materials required to construct a cover. See U.S. Patent No. 4,391,705 (July 5, 1983) (Cook).


91. *Id.*

92. The City of Madison, Wisconsin, in 1980 invited bids on an addition to a wastewater treatment plant. In response, sometime between May 5 and 8, 1980, Envirotech submitted proposals for a digester cover to all general contractors bidding the mechanical portion of the project. Envirotech’s proposal offered a “digester gas holder cover” to be constructed in accordance with the plans and design specifications of the city’s consulting engineer on the project,
the improved one, Envirotech admitted that it intended to deliver its improved design when performing the contract. The district court applied the on-sale bar to invalidate Envirotech's patent. The Federal Circuit reversed.

The Federal Circuit's decision began by stating the four policies behind the on-sale bar. In analyzing two of the three policies which favor society's interests, the court first concluded that the facts of the case did not implicate the policy of avoiding detrimental public reliance. In support, the court noted that the prime contractors could not have reasonably believed that Envirotech's improved design was freely available. The court noted also that third-party disclosure of the invention did not implicate the policy, because the third parties did not detail the invention to the prime contractors.

Mr. Hill. At the May 8, 1980, bid opening, Hooper Construction Corp. was awarded the prime contract, and Hooper accepted Envirotech's subcontract proposal. Subsequently, on May 30, 1980, Envirotech disclosed a detailed description of its patented hydroballaster to Hill as part of a required pre-award submittal. Envirotech applied for a patent on May 29, 1981. Id. at 1572-74, 15 U.S.P.Q.2d (BNA) at 1232.


94. The court based this holding on the three ancillary conclusions that “[n]o later than May 8, 1980, Envirotech placed on sale its ballasting digester cover, which embodies the entire invention set out in the Cook Patent, by bidding and proposing to sell it to Hooper for $134,000;” that the invention had been “sufficiently reduced to practice to be commercially marketable” by May 8, 1980; and that the May 8th bid was made “primarily for commercial rather than for experimental purposes.” Id. at 377, 11 U.S.P.Q.2d (BNA) at 1807-08.

95. 904 F.2d at 1571, 15 U.S.P.Q.2d (BNA) at 1230.

96. Id. at 1574, 15 U.S.P.Q.2d (BNA) at 1232.

97. Id.

98. The court scrutinized the district court’s finding that “[e]ven if Hill [the city’s engineer] had known that neither Hill nor Hooper was sufficiently aware of the hydroballaster to justifiably believe that it was freely available.” Id.

99. Before making its bid, “Envirotech described its idea for the [invention] to CH2M-Hill, the engineers [working for the city on] the Madison project.” 713 F. Supp. at 375, 11 U.S.P.Q.2d (BNA) at 1806. The court concluded that this finding “suggest[ed] that neither Hill nor Hooper was sufficiently aware of the hydroballaster to justifiably believe that it was freely available.” Id.

100. The court reasoned that “[e]ven if Hill [the city’s engineer] had known
Next, the court addressed the policy against pre-application exploitation of the invention. As a threshold to applying the on-sale bar, the court required that the attempted exploitation be manifested objectively as a definite offer to sell the invention. The court found no objective manifestation of a definite offer in Envirotech's bid, because the bid on its face referred to an older design, and Envirotech was contractually obligated to deliver that design. Furthermore, the court distinguished between an inventor's intent of "ultimately exploiting" the invention and an intent of making a definite offer. Thus, the Envirotech court concluded that, because Westech failed to prove this "objective manifestation of intent to make a definite offer" threshold requirement, Envirotech's actions did not give rise to the on-sale bar.

how the invention would perform, in the absence of any relationship of evidence of communication between Hill and Hooper [the general contractor], that fact would be insufficient to establish that Envirotech offered the invention to Hooper." 904 F.2d at 1574, 15 U.S.P.Q.2d (BNA) at 1232. The court's reasoning was the same for the cement contractors' knowledge of the invention. Id. at 1576, 15 U.S.P.Q.2d (BNA) at 1234.

101. Id. at 1574-77, 15 U.S.P.Q.2d (BNA) at 1232-34.

102. Id. at 1576, 15 U.S.P.Q.2d (BNA) at 1234.

103. The court reasoned that the fact that the prime contractors did not have actual knowledge of the invention tended to prove that Envirotech did not objectively manifest an offer of the invention to the prime contractors. Id. The court also discounted other evidence that tended to disprove there was an offer of the invention. First, the court discounted the fact of Envirotech's disclosure, for the purpose of obtaining price quotes, of the invention to two cement contractors. The court reasoned that this fact did not implicate the policy avoiding detrimental reliance because the cement contractors did not communicate their knowledge to the prime contractors. Id. Second, the court discounted the fact of a letter from Envirotech's attorney to Envirotech, dated just before Envirotech made its bid, that informed Envirotech that the "pending bid . . . would be an offer of sale of the [invention] and that a patent application must be filed within a year of the bid," 713 F. Supp. at 374, 11 U.S.P.Q.2d (BNA) at 1804, by reasoning that "nothing in the record suggests that the attorney was familiar with the terms of Envirotech's . . . offer," 904 F.2d at 1576, 15 U.S.P.Q.2d (BNA) at 1234.

Westech had also argued that the contract documents furnish the older design only as an example, not as a requirement. Id. at 1575-76, 15 U.S.P.Q.2d (BNA) at 1233. The court rejected this argument and stated that the "requirements contained in the documents are specific, not merely functional." Id. at 1575, 15 U.S.P.Q.2d (BNA) at 1233. For example, the court noted that "[t]he 'general conditions' section of the documents states that the drawings 'show the location, character, dimensions, and details of the work to be performed,' and [a] drawing . . . clearly depicts the [older] design." Id. Further, the Envirotech proposal referenced the alternative design three times. Id. at 1573, 1575-76, 15 U.S.P.Q.2d (BNA) at 1231, 1233.

104. 904 F.2d at 1577, 15 U.S.P.Q.2d (BNA) at 1234.

105. Id. at 1574, 15 U.S.P.Q.2d (BNA) at 1233. In addition, the court distin-
III. ENVIROTECH'S FLAWED POLICY ANALYSIS

Although the Federal Circuit did address the King Instrument and RCA policy-based decisions, the Envirotech opinion reveals that the court misapplied that analytical framework. A proper analysis of the totality of the circumstances should have led the Federal Circuit to affirm the district court's application of the on-sale bar.

The Envirotech court erred in its treatment of the policies that favor society's interests. In particular, the court limited the weight accorded to the policy against pre-application exploitation by creating a restrictive bright-line "objective manifestation of intent to make a definite offer" requirement and disregarding Envirotech's admission of intent to exploit the invention in its executory sales offer. The court also limited the weight of the policy to avoid detrimental public reliance by limiting the inquiry to only the reliance of the prospective purchaser and by dismissing the fact that persons other than the prospective purchaser had knowledge of the invention and the sale offer. Finally, the court failed to address the policy favoring early invention disclosures.

A. THE POLICY AGAINST PRE-APPLICATION EXPLOITATION

Although the Federal Circuit conceded that the policies behind the on-sale bar center on the inventor's attempt to exploit the invention, the court severely limited that policy by creating a bright-line rule that an inventor, in order to trigger the application of the on-sale bar, must objectively manifest the at-
tempted exploitation of the invention in a definite offer to sell the invention.\(^{108}\) The court used the bright-line rule to allow Envirotech to escape the on-sale bar, despite Envirotech's admission that its bid strategy was to disclose the older design in the formal offer, but deliver the improved design when performing the contract.\(^{109}\) In addition, the court stated that the "subjective, uncommunicated, and ultimate intention of the offeror, however clear, is not alone sufficient" to trigger the on-sale bar.\(^{110}\) The court's statement begs the question: what degree of uncommunicated exploitation will the Federal Circuit permit? The Federal Circuit analysis seems to give inventors and their lawyers free reign to undermine the policies behind the on-sale bar.

The danger of the court's restrictive bright-line rule is that it provides the inventor with a greater opportunity to engage in subversive bid strategies. As in Envirotech, such a bid strategy involves the inventor manifesting an intent to exploit something other than the invention by purporting to offer that other design in its formal offer. At the same time that the inventor offers the other design in its formal offer, the inventor uses the competitive advantage of the invention to obtain the executory sales contract. Admittedly, this bid strategy involves a degree of risk. As the Federal Circuit explains, Envirotech was obligated contractually to supply the contractor with the quoted design.\(^{111}\) The Federal Circuit did not, however, address whether Envirotech's obligation was real or illusory. Stated differently, the court did not inquire into whether the contractor was likely to play hardball and hold Envirotech to the quoted design.

\(^{108}\) The way in which the court distinguished the RCA decision indicates that the court's bright-line rule is a clear departure from the precedented policy-based analysis. The Envirotech court distinguished RCA on two grounds. Id. at 1576, 15 U.S.P.Q.2d at 1234. The Federal Circuit noted first that Envirotech specified an older design, rather than the improved design, in the bid documents. In RCA, on the other hand, the bid documents contained a technical description that identified the patented invention. Id. The court's second distinction was an extension of the first: Envirotech kept the patented invention confidential, while RCA disclosed its invention prior to the critical date. Id. What the court failed to note is that the RCA court specifically stated that testimonial evidence of an intent to offer the patented invention may have been sufficient to support that finding. RCA Corp. v. Data Gen. Corp., 887 F.2d 1056, 1060, 12 U.S.P.Q.2d (BNA) 1449, 1452 (Fed. Cir. 1989). The additional finding in RCA that the bid documents identified the patented invention corroborated the testimonial evidence. Id.

\(^{109}\) See supra notes 93, 101-05 and accompanying text.

\(^{110}\) 904 F.2d at 1575, 15 U.S.P.Q.2d (BNA) at 1233.

\(^{111}\) Id.
A situation where an inventor can easily affect a change in the contract warrants a conclusion that the bid strategy implicates the policy against pre-application exploitation. Envirotech described its invention to the city's consulting engineer approximately one month before making the offer. In so doing, Envirotech's probable motive was to determine the engineer's receptiveness to the new invention, because the engineer had control over any changes to the project. If the engineer was receptive, Envirotech could reasonably take the risk of its bid strategy, because the risk of Envirotech's bid strategy seems to depend directly upon the receptiveness of the government to change the terms of the contract. Envirotech, by the very fact that it used the bid strategy, indicated that it believed, at the time of the offer, that the degree of risk of government inflexibility was low, or at least small enough to warrant the risk. Furthermore, the apparent ease with which Envirotech obtained the change indicates that Envirotech's assessment was accurate, and it indicates also that the government customarily grants such contract changes. By not addressing the likelihood of success of Envirotech's bid strategy, the Envirotech

112. Id. at 1573, 15 U.S.P.Q.2d (BNA) at 1231.

113. It was the engineer for the city, Hill, who actually approved the design change on September 17, 1980, from the older design as set forth in the contract to the new invention. Id. The prime contractor, Hooper, was apprised of the change three weeks after the city's engineer had approved it. Id. at 1573, 15 U.S.P.Q.2d (BNA) at 1532.

114. It is also likely that the prime contractor, Hooper, had the power to reject Envirotech's proposed design change. Hooper would probably be motivated to reject the change for fear that any design change may push back the scheduled completion of the project. Nevertheless, the fact remains that Hooper did not object to the design change; thus, general contractor Hooper either had no power to object to the change, or Hooper thought the change desirable and one that would not affect time of completion.

115. It appears from the district court's opinion that Envirotech did not even have to request such a change. The district court explained that Envirotech, by letter, "clarified that the buoyant chamber called for in the specification had been replaced by a hydroballast." Envirotech Corp. v. Westech Eng'g, Inc., 713 F. Supp. 372, 374, 11 U.S.P.Q.2d (BNA) 1804, 1805 (D. Utah 1989), rev'd, 904 F.2d 1571, 15 U.S.P.Q.2d (BNA) 1230 (Fed. Cir. 1990). It seems that the contract may have allowed for such changes, and Envirotech merely had to inform the government of the change.

116. Most savings that result from efficiency in performance must come from contractors who are in the process of performing according to government specifications. Thus, through typical value engineering clauses in government contracts, a contractor may suggest methods for performing more economically by using his own resources to develop and submit value engineering change proposals. See W. Keyes, GOVERNMENT CONTRACTS UNDER THE FEDERAL ACQUISITION REGULATION § 48.1, 693-95 (1986). Additionally, typical "changes" clauses in government contracts authorize the government's
court indicated that it likely would tolerate a lot of uncommunicated exploitation.

By creating its bright-line rule and ignoring the inventor’s uncommunicated exploitation, the Envirotech court allowed Envirotech to exploit its invention in the same manner as RCA and King Instruments had, yet without triggering the one-year grace period. The totality of the circumstances warrants a finding that Envirotech’s sale activity implicated the policy against pre-application exploitation. First, the price in Envirotech’s final offer did not reflect the cost of producing and delivering the older design that it purported to offer. An earlier offer reflected the cost of producing and delivering the older design. Before Envirotech’s second offer, and still before the critical date, Envirotech took steps to price its offer to reflect the cost savings of supplying the new invention. Consequently, Envirotech’s offer was for $205,000 before the availability of the improved design, and Envirotech reduced its offer to $134,000 after delivery of the improved design for this project became feasible. Because of its invention, Envirotech gained a significant advantage — a $134,000 quote, as opposed to a $205,000 quote — in the bidding process. Because the existence of the invention enabled Envirotech to price its offer much lower than current technology would permit, Envirotech exploited the new invention before the critical date.

In addition, the facts indicate that Envirotech had developed its invention to a degree sufficient to bid its improved design. Indeed, before making its offer, Envirotech stated that no more testing of the patented design was necessary. Thus, contracting officer to make unilateral changes, in designated areas, within the general scope of the contract. Id. § 43.11, at 629.

117. See supra note 89 (discussing the new design’s cost savings over the older design).

118. Envirotech’s first offer was for $205,000. 713 F. Supp. at 373, 11 U.S.P.Q.2d (BNA) at 1805.

119. For example, Envirotech obtained price quotes from concrete manufacturers who were to eventually produce the newly-designed concrete blocks that were an important part of the patented invention. Id. at 374, 11 U.S.P.Q.2d (BNA) at 1805.


121. See supra note 34 (discussing the degree to which an invention must be developed before sale activity can give rise to the on-sale bar).

122. The district court found that the invention “is rather straightforward and its function can readily be calculated by persons with some engineering
when making its offer, Envirotech probably believed that the company would be able to deliver the new invention when performing the contract with the offeree.\textsuperscript{123}

A patent attorney's opinion letter to Envirotech contains additional evidence of impermissible exploitation. In the letter, written approximately one month before the offer, the attorney stated that Envirotech's bid would be the first offer for sale.\textsuperscript{124} Even though, as the Federal Circuit notes, the attorney probably had not seen the precise terms of Envirotech's offer,\textsuperscript{125} the letter does evidence the fact that the invention was ready to be offered for sale and that Envirotech was considering doing just that. This evidence further supports the conclusion that, considering the totality of the circumstances, Envirotech definitely offered, and thus attempted to exploit, its invention by making an executory sales offer.

B. THE POLICY AGAINST DETRIMENTAL PUBLIC RELIANCE

An offeree is not the only party who may come to believe that an invention is freely available, thus implicating the policy against detrimental public reliance. Sale activity implicates the policy whenever any persons in the public, not just prospective purchasers, may come to believe by virtue of their knowledge of the sale activity that the invention is freely available.\textsuperscript{126} Taking a narrow and unprecedented view of the policy, the Envirotech court considered only whether the offeree could have come to believe that the invention was freely available.\textsuperscript{127}

The Federal Circuit stated that it limited its inquiry to only prospective purchasers because the district court based its ap-

\textsuperscript{123} The fact that Envirotech actually delivered the patented invention to the city while performing the contract further supports this conclusion. 713 F. Supp. at 376, 11 U.S.P.Q.2d (BNA) at 1807.

\textsuperscript{124} The fact that Envirotech actually delivered the patented invention to the city while performing the contract further supports this conclusion. 713 F. Supp. at 376, 11 U.S.P.Q.2d (BNA) at 1807.

\textsuperscript{125} The fact that Envirotech actually delivered the patented invention to the city while performing the contract further supports this conclusion. 713 F. Supp. at 376, 11 U.S.P.Q.2d (BNA) at 1807.

\textsuperscript{126} See supra notes 44-47 and accompanying text.

\textsuperscript{127} When addressing the policy against detrimental public reliance, the court began with the conclusion that "the 'public,' that is, Hooper and the other general contractors that received Envirotech's May 8 proposal, could not have come to believe that the hydroballaster was freely available based upon that proposal." 904 F.2d at 1574, 15 U.S.P.Q.2d (BNA) at 1232 (emphasis added).
application of the on-sale bar specifically on Envirotech’s offer to sell to these persons.128 Envirotech also disclosed the invention to both the engineer working for the city and the cement contractors before the bid and the critical date.129 These persons were aware that Envirotech was going to bid on the project. In choosing not to analyze these third parties’ detrimental reliance, the court distinguished between actual offerees and persons who are aware that an offer for sale was made. An offer for sale, however, can cause a third party to reasonably believe that the invention is freely available in the same way it causes an actual offeree to so believe. Thus, the court’s distinction is not a solid foundation for limiting the detrimental public reliance inquiry.130

Even if the Federal Circuit had made the proper inquiry, the court still may have found that neither the city engineer nor the cement contractors could have believed reasonably that the invention was freely available. Envirotech, through either a confidentiality agreement or a more direct communication, probably indicated to the city’s engineer and to the cement contractors that the invention was not freely available. The absence of detrimental public reliance as a policy rationale, however, does not negate the persuasiveness of the implication

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128. Id. Even with respect to the facts of its limited inquiry, the Federal Circuit’s analysis appears to be flawed. For instance, the Federal Circuit noted that the district court had made the finding that Envirotech had intended to exploit its invention “‘whether or not the [city engineer or the prime contractors] had actual knowledge of it.’” Id. (quoting district court opinion, Envirotech Corp. v. Westech Eng’g, Inc., 713 F. Supp. 372, 375, 11 U.S.P.Q.2d (BNA) 1804, 1806 (D. Utah 1989), rev’d, 904 F.2d 1571, 15 U.S.P.Q.2d (BNA) 1230 (Fed. Cir. 1990)) (emphasis in original). The Federal Circuit took this finding to suggest that neither the city engineer nor the offeree “was sufficiently aware of the [invention] to justifiably believe that it was freely available.” Id. The court’s conclusion does not logically flow from the district court’s holding. The district court, however, only held that it was immaterial, as the King Instrument case also held, whether the offeree had actual knowledge of the patented invention, not that there was no actual knowledge. See Envirotech, 713 F. Supp. at 375, 11 U.S.P.Q.2d (BNA) at 1806 (citing King Instrument Corp. v. Otari Corp., 767 F.2d 853, 860, 226 U.S.P.Q. (BNA) 402, 407 (Fed. Cir. 1985) (citing In re Blaisdell 242 F.2d 779, 783, 44 C.C.P.A. 846, 850, 113 U.S.P.Q. (BNA) 289, 292 (1957)), cert. denied, 475 U.S. 1016 (1986)); see also supra note 79 and accompanying text (noting that under pre-existing law, it was unnecessary for the district court to make a finding regarding the actual knowledge of the prospective purchaser).
129. See supra note 99.
130. In addition, there are many on-sale situations where the inventor does not directly contact the purchaser — e.g., the invention on sale in a store. These situations too may just as likely create detrimental public reliance in persons aware of the on-sale status, but not directly solicited.
of the policy against pre-application exploitation or the policy favoring early invention disclosures.\textsuperscript{131}

C. \textbf{THE POLICY FAVORING EARLY INVENTION DISCLOSURES}

Although the Federal Circuit mentioned the policy encouraging the prompt, widespread disclosure of inventions,\textsuperscript{132} the court did not address that policy in its opinion.\textsuperscript{133} Furthermore, the court omitted an analysis of evidence that best proves an implication of the policy encouraging early invention disclosures: the degree to which the invention was reduced to practice when Envirotech made its offer.\textsuperscript{134} The court stated that, because Westech did not prove the threshold "objective manifestation of intent to make a definite offer" requirement, the court did not need to determine the degree to which the inventor, at the time of the offer, had developed the invention.\textsuperscript{135} Because the degree to which an inventor has developed his or her invention relates directly to whether a patent application will provide an \textit{accurate} disclosure, the court's failure to address the "reduction to practice" issue illustrates the court's disregard for the policy favoring early disclosures.

\textit{Envirotech's} facts demonstrate that Envirotech's sale activity implicates this policy. Envirotech had fully developed its invention before the critical date,\textsuperscript{136} which indicates a much-reduced danger of a defective invention disclosure in the patent. Thus, the likelihood of an accurate invention disclosure should have encouraged the court to determine that Envirotech's sale activity implicated the policy encouraging early patent disclosures.

D. \textbf{THE POLICY GIVING THE INVENTOR TIME BEFORE FILING}

Commentators may argue that the grant to the inventor of an additional grace period was equitable on the facts of \textit{Envirotech}.\textsuperscript{131, 132, 133, 134, 135, 136}

\begin{footnotesize}
\begin{enumerate}
\item[131.] See supra note 61 and accompanying text.
\item[132.] 904 F.2d at 1574, 15 U.S.P.Q.2d (BNA) at 1232.
\item[133.] See supra note 105.
\item[134.] See supra notes 50-51 (discussing fact that courts recognize that the policy encouraging early invention disclosures is only implicated when the sale activity respects an invention that has been developed to a degree where a disclosure of the invention will be an \textit{accurate} one that will not mislead other inventors).
\item[135.] 904 F.2d at 1577 n.*, 15 U.S.P.Q.2d (BNA) at 1234 n.*; see supra note 105.
\item[136.] See supra note 122.
\end{enumerate}
\end{footnotesize}
After all, the inventor did provide the public with the benefits of, and the science behind, the invention. Envirotech's sale activity occurred only twenty-two days before the critical date, and compared with the seventeen-year patent grant, twenty-two days seems rather trivial. Additionally, because Envirotech filed its patent application one year after the date of disclosure, Envirotech and its patent counsel apparently believed that disclosure, not the executory sales offer twenty-two days earlier, triggered the running of the grace period. Moreover, in 1980, when the patent was filed and before the creation of the Federal Circuit, their belief regarding the state of on-sale bar law was probably reasonable. Lastly, the equities disfavor alleged infringers, who are, in a sense, tortfeasors. Admittedly then, the Federal Circuit faced a difficult situation: save the patent by granting an additional grace period, or invoke the on-sale bar and thereby invalidate the patent because of an apparently innocent twenty-two day extension.

Despite these arguments, Congress statutorily set the grace
period at one year. Any extension of the grace period, even by a single day, runs contrary to the statute. Thus, whether the pre-application exploitation occurred twenty-two days or ten years before the critical date is immaterial. Congress set the grace period at one year, and the federal courts do not have the equitable powers to alter that determination.

Moreover, Envirotech's sale activity did not deserve the protection of an additional grace period. Envirotech admitted that it was through testing its invention; therefore, the sale activity did not constitute an experimental use. Thus, the executory sales offer did not deserve an additional grace period on that ground. Furthermore, Envirotech cannot argue for an additional grace period on the ground that it was only trying to test the market for its invention, because the Federal Circuit does not give market testing an additional grace period.

Finally, the equities in Envirotech do not entirely favor the inventor; Envirotech reaped the benefits of its invention, particularly in the sale at issue in the case, without competition for ten years. The Federal Circuit, therefore, should have found because the grace period is statutorily set at one year Envirotech's executory sales offer did not implicate the policy granting the inventor a grace period.

E. THE POLICY BALANCE

In the Envirotech case, the implication of the policy against pre-application exploitation, by itself, warranted the application of the on-sale bar. The implication of the policy encouraging early invention disclosures lends additional support to application of the bar. The result is the same regardless of whether

143. See supra note 24.
144. See supra notes 40-42 and accompanying text (discussing the tension between the antitrust laws and the patent grant and noting that this tension warrants strict adherence to the term of the patent grant).
145. See, e.g., Tennessee Valley Auth. v. Hill, 437 U.S. 153 (1978). The Court, here, held that the plain language of the Endangered Species Act, which provided for no exceptions, required prohibiting the completion of a dam, which if completed, would have caused the extinction of the snail darter, despite the fact that the Court's result required the sacrifice of the anticipated benefits of the project and of many millions of dollars in public funds. See id. at 172-73.
146. See supra note 122 and accompanying text.
147. See supra notes 35, 59 and accompanying text.
148. See supra note 60 and accompanying text.
149. See supra notes 61-62 and accompanying text.
150. See supra note 64 and accompanying text.
Envirotech’s sale activity implicated the policy of avoiding detrimental public reliance. 151 Finally, the policy giving the inventor a grace period does not negate the on-sale status of the executory sale offer because Envirotech’s sale activity did not implicate this policy. 152 Thus, if the Federal Circuit had engaged in a true, policy-based on-sale bar analysis, it would have affirmed the district court’s application of the bar.

CONCLUSION

The increasing number of cases before the United States Court of Appeals for the Federal Circuit involving the on-sale bar to patentability in the context of an executory sales offer reflects the uncertainty inherent in issues decided on their supportive policy rationales. In Envirotech Corp. v. Westech Engineering, Inc., the Federal Circuit diverged from its well-established, policy-based analytical framework for the on-sale bar and created a restrictive bright-line rule that an inventor’s attempted exploitation must be manifested objectively in a definite offer to sell the patented invention. Because Envirotech’s formal offer disclosed an older design, rather than the new invention, the court used its new “objective manifestation of intent to make a definite offer” requirement to refuse to apply the on-sale bar, without even considering the totality of the circumstances. In so doing, the Federal Circuit ignored the inventor’s admitted intent to exploit the patented invention before the critical date.

This Comment argues that the Federal Circuit’s strict use of the “objective manifestation of intent to make a definite offer” requirement is a step in the wrong direction in on-sale bar jurisprudence. The requirement gives inventors the opportunity to engage in subversive bid strategies with anti-competitive results. This Comment urges, therefore, that the Federal Circuit adhere to its well-established, policy-based analytical framework.

Stephen R. Schaefer

151. See supra note 61 and accompanying text.
152. See supra notes 137-48 and accompanying text.