

# Prior Art Takeaways From Fed. Circ. Public Disclosure Ruling

By **Derrick Carman** (August 22, 2024)

On July 30, the U.S. Court of Appeals for the Federal Circuit clarified the bounds of what constitutes a "public" disclosure under Title 35 of the U.S. Code, Section 102, in *Sanho Corp. v. Kaijet Technology International Limited Inc.*[1]



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The court held that a private sale is not a public disclosure, limiting the ability of patentees to avoid otherwise invalidating prior art. Section 102(a)(2), provides that a person is entitled to a patent unless:

the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

In other words, patents and published applications are considered prior art if they were filed before and name a different inventor than the challenged patent. In *Sanho*, Kaijet filed a petition for inter partes review challenging Sanho's U.S. Patent No. 10,572,429 based on the Kuo reference.[2]

The '429 patent had a priority date of April 27, 2017.[3] Kuo had a filing date of Dec. 13, 2016.[4] Therefore, Kuo met the definition of prior art provided in Section 102(a)(2).

Section 102(a)(2), however, is subject to several exceptions. Under Section 102(b)(2)(B), a reference is not prior art if "the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor."

Thus, if Sanho could show that the inventor of the '429 patent publicly disclosed the claimed subject matter in the '429 patent before the filing date of Kuo, then Kuo would not be prior art.

Sanho sought to invoke this exception to avoid the Kuo reference. Specifically, Sanho argued that the inventor of the '429 patent had sold 15,000 units of a HyperDrive, which allegedly embodied the claimed invention, before Kuo was filed. According to Sanho, this sale constituted a public disclosure by the inventor under Section 102(b)(2)(B).

The Federal Circuit disagreed. Specifically, the Federal Circuit held that the private sale of the HyperDrive units was not a public disclosure because it was not sufficiently public.

In rejecting Sanho's argument, the court first tackled Sanho's argument that "publicly disclosed" as used in Section 102(b)(2)(B) has the same meaning as "disclosed" as used elsewhere in the statute, which includes private disclosures. The court pointed out the obvious distinction between these two usages in that "publicly disclosed" is modified by the word "publicly," and therefore is not a consistent usage of "disclosed."

According to the court, "[w]e think that the added word, 'publicly,' both negates Sanho's consistent usage argument and suggests that the sorts of disclosures that qualify for the exception in Section 102(b)(2)(B) are a narrower subset of 'disclosures' (i.e., the disclosures that are 'public')." [5] Thus, the court found that Sanho's argument was inconsistent with the plain language of the statute.

The court also rejected Sanho's argument based on policy grounds. The court stated that a major objective of patent protection is to have inventors "make [their] inventions[s] available to the public." [6]

The court concluded that "priority should be given to the patentees who make their invention available to the public before a patent application filing by another." [7]

Sanho's final argument was that "publicly disclosed" should be interpreted similarly to how the court applies the invalidating "public use" defense. The Federal Circuit again rejected this argument. The court noted that, again, "publicly disclosed" and "public use" are different terms and that the statutes in which those different terms are used serve different purposes. [8]

As noted above, the policy underlying the public disclosure exception is placing the public in possession of the invention. The public use statutory bar, on the other hand, is intended to limit the patentee's monopoly based on the commercial exploitation of an invention. [9]

Applying this context to the facts of the case, the court noted that the communications surrounding the sales of the HyperDrive units occurred via private messaging service, WeChat, and that a private courier service was used to send a finished HyperDrive to the purchaser. [10] The court noted that, while 15,000 HyperDrive units were ordered, there was no testimony as to whether those devices were ever manufactured or delivered. [11]

The court dismissed the fact that there was no confidentiality agreement in place because there was no teaching of the patented features beyond Sanho. [12] The court concluded that the evidence only demonstrated "a private sale between two individuals arranged via private messages" and therefore this case was not a close question. [13]

The court's decision ultimately provided two points of clarity.

First, "publicly disclosed" has meaning that is different from a basic disclosure and different from public use. There must be a disclosure of the invention, and the disclosure must be sufficiently public to place the invention in the hands of the public.

Second, the court provided one example of a disclosure that does not meet this test. Namely, a private sale between individuals that is arranged by private messages will not satisfy the public disclosure exception to prior art.

While these two points of clarification are important and useful to both patentees and patent challengers, there remains significant room for advocacy under Section 102(b)(2)(B). The court did not provide any meaningful guidance as to what would satisfy the "publicly disclosed" requirement.

For example, the court did not explain the limits between a "private" sale and a "public" sale that might lead to a different outcome. Would public advertising be sufficient? What about publishing a white paper? What about a speech at a conference?

What if the speech was or was not accompanied by a written description of the content of the speech? Would it matter if the public had to pay for the disclosure, or does it need to be freely accessible?

Additionally, the court did not explain what "public" needs to receive the disclosure. Is it the general public? Or, does the disclosure simply need to be made to the "public" that operates in the particular field of endeavor of the invention?

These questions and more provide ample room for patentees and patent challengers to advocate on behalf of their clients as their situations may demand.

It is likely that the jurisprudence around Section 102(b)(2)(B) will continue to develop as inventors race to the patent office to protect their innovations under the first-to-file regime of the America Invents Act.

And the fact-specific nature of determining what constitutes "publicly disclosed" inventions will likely provide meaningful use cases for inventors to model or avoid, as the case may be, to ensure they preserve their rights to patents and avoid near-contemporaneous prior art.

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[1] Sanho Corp. v. Kaijet Tech. Int'l Ltd., Inc., Slip op. (Fed. Cir. 2024).

[2] Id. at 3.

[3] Id.

[4] Id.

[5] Id. at 9.

[6] Id. at 10.

[7] Id.

[8] Id. at 12.

[9] Id. at 13.

[10] Id. at 14.

[11] Id.

[12] Id.

[13] Id.