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Intellectual Property Update

Federal Circuit Sheds Light on "Public Disclosure" Prior Art Exception

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In a precedential decision issued on July 31, 2024, the United States Court of Appeals for the Federal Circuit clarified the scope of a prior art exemption provision under the America Invents Act (AIA). Sanho Corp. v. Kaijet Technology International Limited, Inc., No. 2023-1336 (Fed. Cir. July 31, 2024). The Federal Circuit held that the prior art exception under 35 U.S.C. § 102(b)(2)(B) applies only where an inventor's pre-filing "public disclosure" makes the invention "available to the public."

The sole question before the court was the applicability of § 102(b)(2)(B), as the other prior art exceptions under § 102(b)(2) were not at issue in this case. Section 102(b)(2)(B) provides that "[a] disclosure shall not be prior art to a claimed invention under subsection [102](a)(2) if . . . the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor." Section 102(b)(2)(B) is aimed at protecting inventors who share their inventions with the public from later disclosures made by others.

Kaijet Technology International Limited, Inc. filed a petition for inter partes review, alleging that the claims of Sanho Corporation's ("Sanho") patent (US 10,572,429), directed to USB hub-like devices that facilitate multiple peripheral connections through a single computer port, were obvious in view of U.S. Patent Application No. 2018/0165053 ("Kuo"). Kuo's effective filing date predated the effective filing date of Sanho's patent by just a few months, thus qualifying Kuo as prior art, unless the exception under § 102(b)(2)(B) applied.

During inter partes review, the Patent Trial & Appeal Board (PTAB) concluded that the claims of the Sanho patent were invalid as obvious in view of Kuo. Sanho argued that, before Kuo's effective filing date, the inventor of the Sanho patent "publicly disclosed" the relevant subject matter in a sale of a device embodying the claimed invention. The PTAB held that the sale did not qualify for the exemption under § 102(b)(2)(B) and that Kuo is prior art.

On appeal, the Federal Circuit rejected Sanho's argument that the phrase "publicly disclosed" in § 102(b)(2)(B) should be construed to include the types of "disclosures" described in § 102(a)(1), such as situations in which the invention was "on sale." Similarly, the court rebuffed Sanho's argument that "publicly disclosed" under § 102(b)(2)(B) incorporates the types of invalidating "public use" under § 102(a).

In other words, according to the Federal Circuit, placing an invention on sale or a public use of the invention for prior art invalidation purposes under § 102(a)(1) does not mean that the invention is necessarily "publicly disclosed" under the prior art exemption set forth in § 102(b)(2)(B). Rather, the types of disclosures that fall under § 102(b)(2)(B) are a narrower subset of "disclosures" than those under § 102(a)(1). The court held that, in light of the motivating purpose behind § 102(b)(2)(B)'s exemption, "publicly disclosed" must mean that "it is reasonable to conclude that the invention was made available to the public." Thus, only if the subject matter of the invention is sufficiently disclosed will the exception in § 102(b)(2)(B) apply.

Turning to the facts of the case, the Federal Circuit agreed with the PTAB that the sale was a private sale that did not "publicly disclose" the relevant subject matter of the invention. Prior to Kuo's effective filing date, the inventor sent a finished version of the device embodying the invention to Sanho's owner via private courier and communicated with Sanho's owner on the WeChat messaging service. Further, Sanho ordered 15,000 units of the device, which was accepted days before Kuo's effective filing date. However, there was no evidence that the devices were manufactured or that the order was fulfilled, even though Sanho transmitted payment. The court further observed that "although there was no confidentiality or nondisclosure agreement, there was no teaching of the features of the invention to others beyond Sanho." Thus, there was no "indication the sale disclosed the inventive subject matter to the public sufficiently for the exception to prior art in § 102(b)(2)(B) to apply."

While the Federal Circuit's opinion explains the scope of the prior art exception under § 102(b)(2)(B), it expressly did "not decide exactly what is necessary for demonstrating that a sale publicly disclosed the relevant subject matter, or whether to apply the prevailing standard for when a printed publication is sufficiently publicly accessible to qualify as prior art." Therefore, it will be important to keep track of further developments in this area of patent law. Inventors and entities seeking to protect their valuable intellectual property should consult with counsel prior to engaging in any pre-filing activities that may impact their ability to obtain patent protection.

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