

## The Secret Is Out: Monopoly Extension Concerns Trump Public Disclosure

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The Federal Circuit recently held that where an inventor sells a product made by a secret process, the inventor is barred from patenting that secret process more than a year after their first product sale.<sup>2</sup> While this holding is consistent with jurisprudence before patent law reforms under the America Invents Act (AIA),<sup>3</sup> statutory changes introduced by the AIA suggest the on-sale bar should no longer apply to secret processes.<sup>4</sup>

Nonetheless, the Federal Circuit maintained the pre-AIA rule, partially due to the concern that patentees could otherwise unfairly extend their monopoly by keeping their inventive process as a trade secret for several years before securing an additional twenty years of monopoly via patent protection.<sup>5</sup> Due to its impact on the Federal Circuit's analysis, it is worth examining this monopoly extension concern and other policy considerations implicated by applying the on-sale bar to secret processes.<sup>6</sup>

The policy against monopoly extension was articulated by Judge Learned Hand sitting on the Second Circuit: “[I]t is a condition upon an inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly.”<sup>7</sup> On the other hand, the Supreme Court has opted to bar patenting where the inventor *intends* to use his secret invention “indefinitely and exclusively for his own profit.”<sup>8</sup> Thus, instead of adopting a strict rule like that applied by Judge Hand, the Supreme Court has tasked the jury with determining whether the patentee's delay in filing was reasonable.<sup>9</sup>

Implicit in Judge Hand's reasoning is the overgeneralization that a strict on-sale bar hastens public disclosure because inventors must apply for a patent within one year of the invention becoming ready for patenting.<sup>10</sup> This assumption is not universally valid, and it may be especially prone to failure where an inventive secret process is difficult to reverse engineer from a product in commerce.<sup>11</sup> Since undiscernible processes are already prime candidates for trade secret

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<sup>1</sup> Thank you to Dennis Crouch for his Patently-O article that inspired this blog post. Dennis Crouch, *Policy Considerations: The On-Sale Bar for Secret Processes*, PATENTLY-O (Aug. 15, 2024), <https://patentlyo.com/patent/2024/08/secret.html> [<https://perma.cc/82JS-9SU5>].

<sup>2</sup> *Celanese Int'l Corp. v. Int'l Trade Comm'n*, 111 F.4th 1338, 1344 (Fed. Cir. 2024) (“[O]n-sale bar applies when a patentee sells, before the critical date, products made using a secret process.”).

<sup>3</sup> *Celanese*, 111 F.4th at 1348–49.

<sup>4</sup> Brief for Nat'l Ass'n of Mfrs. as Amicus Curiae Supporting Appellants at 11–13, *Celanese Int'l Corp. v. Int'l Trade Comm'n*, 111 F.4th 1338 (Fed. Cir. 2024) (No. 22-1827), 2022 WL 16860501.

<sup>5</sup> *Celanese*, 111 F.4th at 1343 (“As a ‘limiting provision’ on patentability, the on-sale bar prevents one from extending a patent monopoly beyond the statutory term by commercially exploiting an invention prior to seeking a patent.” (citing *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 64, 67 (1998))).

<sup>6</sup> Crouch, *supra* note 1.

<sup>7</sup> *Metallizing Eng'g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir. 1946).

<sup>8</sup> *Kendall v. Winsor*, 62 U.S. 322, 328 (1858).

<sup>9</sup> *Id.* at 331.

<sup>10</sup> See Crouch, *supra* note 1 (discussing that a strong on-sale bar that forces inventors to opt early for patent or trade secret protection does not always make knowledge publicly available sooner).

<sup>11</sup> *Id.*

protection, the strict on-sale bar may further encourage inventors to indefinitely monopolize their secret process rather than disclose it in exchange for a finite patent term.<sup>12</sup> Therefore, applying a strict on-sale bar to secret processes may actually lead to a net reduction in public knowledge,<sup>13</sup> contrary to the patent system’s objective as expressed by the Constitution.<sup>14</sup>

Moreover, a strict on-sale bar in the context of secret processes may pose a trap for the unwary.<sup>15</sup> Prospective patentees with lesser access to sophisticated legal counsel (*e.g.*, independent inventors and small businesses) may mistakenly hold the straightforward view that they can seek a patent so long as they have not disclosed their invention to the public.<sup>16</sup> While public non-disclosure before the critical date is generally necessary for patentability,<sup>17</sup> non-disclosure alone is insufficient to stave off the on-sale bar in the context of secret processes.<sup>18</sup> Since the on-sale bar counterintuitively extends from a product sale all the way back to the secret process by which it was made,<sup>19</sup> this rule may lead independent inventors and small businesses to unwittingly forfeit patent protection.

In sum, there are valid concerns that a wholesale exemption of secret processes from the on-sale bar might enable unfair patent extension. However, other policy considerations may counsel toward a softer or more limited application of the on-sale bar to secret processes.

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<sup>12</sup> *See id.* (“[P]articularly where the process is difficult to reverse engineer from the product, [a strict on-sale bar] might instead incentivize inventors to maintain their processes as trade secrets indefinitely.”).

<sup>13</sup> *Id.*

<sup>14</sup> *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (“The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual property is to ‘promote the Progress of Science and useful Arts.’ The patent laws promote this progress by offering a right of exclusion for a limited period as an incentive to inventors . . . . In return for the right of exclusion . . . the patent laws impose upon the inventor a requirement of [public] disclosure.” (quoting U.S. CONST. art. I, § 8, cl. 8)).

<sup>15</sup> Crouch, *supra* note 1 (“The current on-sale bar, particularly as applied to secret processes, could be seen as [a] ‘trap[] for the unwary.’”).

<sup>16</sup> *See id.* (noting that any rule that results in a complete loss of rights should be predictable, especially for small entities and individual inventors who may lack access to sophisticated legal counsel); *see also Patent process overview*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/basics/patent-process-overview> [perma.cc/V28Q-FQMR] (last visited Oct. 11, 2024) (instructing prospective applicants that a patent normally cannot be obtained for an invention already publicly disclosed but failing to mention the on-sale bar, let alone mentioning that the on-sale bar applies to undisclosed processes).

<sup>17</sup> Leahy-Smith America Invents Act (AIA) 35 U.S.C. § 102(a)(1) (“A person shall be entitled to a patent unless . . . the claimed invention was . . . described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention . . . .”).

<sup>18</sup> *Celanese Int’l Corp. v. Int’l Trade Comm’n*, 111 F.4th 1338, 1344 (Fed. Cir. 2024) (“[T]o trigger the on-sale bar, a sale need not disclose the details of the invention to the public.”).

<sup>19</sup> Brief for Nat’l Ass’n of Mfrs. as Amicus Curiae Supporting Appellants at 19, *Celanese Int’l Corp. v. Int’l Trade Comm’n*, 111 F.4th 1338 (Fed. Cir. 2024) (No. 22-1827), 2022 WL 16860501 (arguing that application of the on-sale bar to secret processes was “unexpected and inconsistent with the reasonable expectations of U.S. manufacturers”).