

HAMILTON BEACH BRANDS v. SUNBEAM PRODUCTS — Outsourcing of Product Manufacturing Leads to a Loss of Patent Rights

Hamilton Beach filed a patent application on March 1, 2006, issuing on February 3, 2009 as U.S. Patent No. 7,485,831, directed toward a portable slow cooker with sealing clips on the body of the cooker for holding the lid in place during transportation. Hamilton Beach's commercial embodiment of the patented invention, the Stay or Go® slow cooker, was a large success. Sunbeam, the prior market leader for slow cookers, responded by designing around the '831 patent claims--releasing the Cook& Carry® slow cooker having sealing clips located on the lid instead of on the slow cooker body.

Not to be outdone, Hamilton Beach responded by filing a continuation application, issuing as U.S. Patent No. 7,947,928, with a broad claim that covered the Sunbeam slow cooker. Hamilton Beach asserted this later-issued '928 patent against Sunbeam in the United States District Court for the Eastern District of Virginia.

The District Court found that the later-filed application, which issued into the asserted '928 patent, contained new matter that was not supported by the disclosure contained within Hamilton Beach's first-filed application. Thus Hamilton Beach's later-issuing patent could not rely on the filing date of its first-filed application. Furthermore, the District Court granted Sunbeam's summary judgment motion, finding that some of the asserted claims were invalid under the pre-America Invents Act ("AIA") version of 35 U.S.C. § 102(b)¹ on evidence that Hamilton Beach had offered to sell the claimed invention more than 1 year prior to filing the application for the asserted '928 patent. Interestingly, this alleged offer for sale was not an offer by Hamilton Beach to sell the pressure cookers to customers, but was an offer by Hamilton Beach's third-party overseas manufacturer, responsive to Hamilton Beach's own request, to provide 2,000 pre-production pressure cookers to Hamilton Beach.

Precedent of the Supreme Court, and cited in this case by the Court of Appeals for the Federal Circuit ("CAFC"), holds that a disqualifying "offer for sale" occurs under pre-AIA Section 102(b) when the claimed invention is: 1) the subject of a "commercial" offer for sale; and 2) "ready for patenting". No actual sale need occur, and the offer need only be one in which the

¹ This case was decided under the pre-AIA Section 102 because the case was filed before the effective date of the AIA amendments.

offeree could form a binding contract by acceptance. Actions of foreign parties, offering products for sale to those in the US, may also constitute a disqualifying offer for sale.

The majority opinion of the CAFC affirmed the District Court, but on a different characterization of the facts. The majority highlighted its own precedent in which prior panels at the CAFC found that there is no supplier exception to the on sale bar under the old Section 102(b). Unlike the District Court, the majority found a commercial offer for sale in the third party manufacturer's response to Hamilton Beach's 2,000 unit purchase order. Upon receipt of the purchase order, the supplier had responded with a statement that it would fulfill the order upon receipt of a final release by the patentee. Even though the actual release was provided by Hamilton Beach within one year of its earliest patent application, the CAFC found that the supplier's response constituted a commercial offer—one in which Hamilton Beach need only have provided its release in order to form a binding contract.

While Hamilton Beach argued that its design was not perfected when it placed the purchase order, and thus could not meet the “ready for patenting” prong of the commercial offer for sale test, the CAFC found that the design drawings sent to the supplier would have enabled one of ordinary skill to practice the claimed invention. Thus the invention was ready for patenting at the time of the purchase order. The fact that some prototypes did not work, and needed fine-tuning for commercial production, did not mean that the invention was not ready for patenting.

Writing the dissent, CAFC Judge Reyna focused on the practical outcome of the majority's ruling: it is blind to how companies outsource prototyping in today's market. Judge Reyna characterized the 2,000 unit purchase order as being experimental because the design of the sealing clips remained unstable until well after the purchase order. Furthermore, a mere 2,000 prototype pressure cookers was far from a typical commercial quantity in the industry. In other words, Hamilton Beach was not stockpiling units for commercial distribution, but was actively perfecting its design. Judge Reyna stressed that a court must take into account the experimental use of the ordered products when determining whether the purchase order was commercial in nature.

It is likely that this case would have been decided differently under the new law, which focuses on the public nature of the sale, stating that the bar to patentability applies when the invention is “on sale, **or otherwise available to the public** before the effective filing date of the claimed invention” 102(a)(1). It would appear that a contract with a third party supplier, which contains a non-disclosure agreement, would not make the invention “otherwise available to the public”. It will, however, fall upon the courts to clarify the meaning of the new law.

In handling patent prosecution for our clients, Wood Phillips remains mindful of the importance of early filing of both provisional and non-provisional patent applications. The attorneys at Wood Phillips will continue to closely monitor how the courts interpret the new provisions of the U.S. patent law.