Keywords: **On-sale bar; lease; claim interpretation; experimental use**

General: **Infringement plaintiff's lease of computer program and telecommunications network to brokerage firm constituted "sale," within meaning of 35 U.S.C. § 102(b), for purposes of assessing validity of plaintiff's patent for interactive securities trading systems since plaintiff conveyed fully operational computer program implementing claimed method.**

Minton v. National Association of Securities Dealers Inc.
67 U.S.P.Q.2d 1614 (Fed. Cir. 2003)
Decided July 29, 2003

I. Facts

Minton is the sole inventor and owner of the '643 patent, which is directed to a computerized securities trading system. When using the system, individuals connect to a computer network through which they are able to post offers to trade securities as well as to select and reply to posted offers to cause trades to occur. Specifically, claim 1 recites a method for trading securities between individuals, comprising "executing a trade of the security based on information contained in the offer for consideration specified in the reply to the offer, whereby the security is traded efficiently between the first [offering] individual and the second [replying] individual."

Prior to the application's critical date, Minton leased a computer program and telecommunications network called "TEXCEN." TEXCEN performed steps similar to those recited in the '643 patent, but required that a broker intervene to complete the trade.

Minton filed an infringement suit against NASDAQ for infringement of the '643 patent. The District Court granted summary judgment of invalidity of the '643 patent on two grounds: 1) Minton's lease of TEXCEN was an anticipatory on-sale bar under 35 U.S.C. § 102(b); and 2) the claimed invention would have been obvious over TEXCEN in view of another patent. Minton appealed from the final decision of the District Court arguing that the lease to TEXCEN was not a sale and that the District Court erred in its claim construction.

II. Issues

A. Did Minton's lease of TEXCEN trigger the on-sale bar under 35 U.S.C. § 102(b)?
B. Did the court correctly construe the claims?

III. Discussion

A. Yes. Minton raised two arguments supporting its contention that TEXCEN was not "on-sale" under 35 U.S.C. § 102(b). First, Minton argued that the license of the TEXCEN process was not a commercial offer for sale, and second that the lease of TEXCEN was an experimental use and therefore not a sale. The Federal Circuit disagreed with Minton's application of the *Kollar* decision and distinguished, the facts of *Kollar* as simply providing a transfer of know-how regarding a claimed process and held that this was not a sale within the meaning of 35 U.S.C. § 102(b). A know-how agreement "under which development of the claim process would have to occur before the process is successfully commercialized is not a sale." Whereas *Kollar* merely conveyed know-how, Minton conveyed a fully operation computer program implementing and thus embodying the claimed method. Further, Minton conveyed a warranty of workability , whereas *Kollar's* process had to be developed for commercialization. Accordingly, the Federal Circuit held that Minton's lease of TEXCEN enabled

the lessee to practice the invention and therefore was an offer for sale, 35 U.S.C. § 102(b) within the meaning of the on-sale bar.

Turning next to Minton's experimental use argument, the court first considered whether Minton waived the experimental use argument by waiting to raise the issue for the first time in a motion for reconsideration. Previously, Minton conceded that TEXCEN was indeed "on-sale." In exercising the decision to reopen a case following a motion for reconsideration filed pursuant to rule 59(e) "a court should consider among other things, the reasons for the moving parties default, the importance of the omitted evidence of the moving party's case, whether the evidence was available to the nonmovent before she responded to the summary judgment motion, and the likelihood that the nonmoving party will suffer unfair prejudice if the case is reopened." Minton sought reconsideration on the ground of the new argument (experimental use) and submitted new evidence (his own affidavit) in support of the new argument. The District Court denied Minton's motion without clearly explaining whether is was exercising its discretion not to consider Minton's new argument or whether is had considered the new argument and found the argument unconvincing. The Federal Circuit held that the District Court was well within its discretion not to consider Minton's new arguments and found that each of the factors to be considered tipped the balance against Minton. Accordingly, the Federal Circuit upheld the District Court's decision that Minton's lease of TEXCEN was a "sale" within the meaning of 35 U.S.C. § 102(b).

B. Yes. Minton tried to argue that the claim as recited in the '643 patent was patentably distinct from the method implemented in TEXCEN. While Minton argued for a different claim construction than originally conceded to after the *Markman* hearing, the District Court did consider Minton's shift in claim construction and thus, the Federal Circuit reviewed the District Court's decision regarding those arguments. In an uneventful discussion, the Federal Circuit upheld the District Court's claim construction. The Federal Circuit did reiterate a point worth notifying: "A whereby clause in a method claim is not given weight when it simply expresses the intended result of a process step positively recited." This was indeed the case with Minton's use of the whereby clause to indicate that the security is "traded efficiently." The court stated that the term "efficiently" is a laudatory term characterizing the result of the executing step. Minton was attempting to argue that the trading step executed in the TEXCEN program was not efficient because it required a broker to intervene to complete the transaction. The Federal Circuit was unpersuaded.