

Keywords: Offer, acceptance, on-sale, bar, commercial, design, 35 U.S.C. § 102(b)

General: A manufacturer-sent communication including pricing and shipping information for a product counts as an offer, and therefore activates an on-sale bar for an associated patent.

Larry G. Junker v. Medical Components, Inc., Martech Medical Products, Inc.

Appeal no. 2021-1649

Fed. Cir. February 10, 2022

I. Facts

The Appellant, Medical Components, Inc., Martech Medical Products, Inc. (collectively, “MedComp”) appealed findings from a US district court that passed summary judgment on a patent of no invalidity under the on-sale bar. The core issue is whether communications between a manufacturer and a buyer that include pricing information and shipping information for a product constitute a sale offer, thus activating an on-sale bar for a patent claiming the product.

In the late 1970s, Larry G. Junker, the Appellee, started a company that bought and resold catheter kits including needles, syringes, guide-wires, and introducer sheaths used for inserting catheters into a vein of a medical patient. One type of introducer sheath allows for the sheath to be peeled apart into two pieces when removing the sheath while leaving the catheter in place in a patient’s body (e.g., a peelable, peel-away, or tearaway introducer sheath). In the mid-1980s, Junker began designing an improved introducer sheath with “large, rounded Mickey-Mouse-shaped ears” to facilitate grasping the introducer sheath during a catheter-insertion procedure.

Neither Junker himself nor his company had the capability to manufacture the designed introducer sheath. In 1998, Junker entered into a non-disclosure agreement with James Eddings, the owner of a medical device company. Junker disclosed his introducer sheath design to Eddings, who shortly thereafter founded an introducer sheath manufacturing company, Xentek Medical (“Xentek”). In January of 1999, Eddings and Xentek provided Junker with a prototype for the introducer sheath that included all features of the design by Junker.

That same month, Eddings began communications with Boston Scientific Corporation (“Boston Scientific”) regarding the introducer sheath design. Responding to a request sent by Boston Scientific, Xentek sent a letter on January 8th, 1999 detailing pricing and shipping information for bulk pricing information for variously sized peelable introducer sheath products. Particularly, the letter included a price chart for different models in various quantities (see Appendix), a statement that “prices are for shipment in bulk, non-sterile, FOB [free on board] Athens, Texas,” and a statement that payment would be due within 30 days of delivery. J.A. 1572.

Additionally, the letter contained several references to “a quotation,” and referenced an intent to further discuss the product with Boston Scientific.

On February 7th, 2000, Junker filed the application that led to U.S. Design Patent No. D450,839 (“The D’839 patent”), which was granted the next year (see Appendix). In 2013, Junker sued MedComp over four products that allegedly infringed the D’839 patent. In response, MedComp counterclaimed that the patent was invalid, unenforceable, and not infringed.

In 2017, the parties filed for summary judgment on multiple issues, including invalidity under the on-sale bar. Particularly, the Appellant argued that the January 8th, 1999 letter, which was sent before the critical date of the D’839 patent, was a commercial offer for sale of a product embodying the claimed design of the patent. The district court recognized that the letter contained specifications of several commercial terms such as pricing, shipping, and delivery conditions. However, the district court also noted that the letter contained the term “quotation” three times and includes an invitation to further discussion regarding Boston Scientific’s specific requirements. Ultimately, the district court weighed the facts and decided that the letter constituted a preliminary negotiation, not an offer for sale.

The district court granted Junker’s motion for summary judgment of no invalidity under the on-sale bar. Furthermore, the district court found that all four MedComp products infringed the D’839 patent. The court awarded Junker \$1,247,910 in lost profits. In response, MedComp appealed to the federal circuit.

II. Issue

1. Did the district court err in granting summary judgment of no invalidity under the on-sale bar?

III. Discussion

1. Yes. The court noted that a patent claim is invalid under 35 U.S.C. § 102(b) if the invention goes on-sale before the critical date (i.e., one year before filing). The on-sale bar is triggered if the claimed invention is both offered for sale commercially and ready for patenting. The two sides agreed that the products described in the letter embody the claimed design of the D’839 patent, and that, at the time of the letter, the claimed design was ready for patenting. Thus, the only remaining question was whether the letter was a commercial offer of the claimed design, as MedComp claimed, or whether the letter merely constituted preliminary negotiations, as claimed by Junker and as found by the district court.

The court relied upon traditional contract law principles to define a commercial offer. Specifically, the court noted “[o]nly an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under § 102(b).” *Merck & Cie v. Watson Lab’ys, Inc.*, 822 F.3d 1347, 1351 (Fed. Cir. 2016) (quoting *Grp. One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001)). The court also noted that the Uniform Commercial Code, the Restatement (Second) of Contracts, and similar treatises are useful as guides.

With this in mind, the court examined the January 8th, 1999 letter. In the letter (sent to Boston Scientific alone), Xentek stated that it was directly responding to a request for a quotation from Boston Scientific. The court noted that the letter was not an unsolicited quotation sent to multiple prospective clients, but a specific offer urging action from Boston Scientific. Furthermore, the court noted that the letter contained specifics pertaining to pricing, shipping, and delivery conditions. For example, the letter contained prices for “shipment in bulk, non-sterile,” denoting both prices and delivery conditions for the claimed product. J.A. 1572. The letter also stated that shipments would be “FOB Athens, Texas.” *Id.* FOB, meaning “free on board,” is a commercial term used to transfer risks and responsibilities to a customer with relation to product delivery, payment, and loss. Additionally, the letter referenced a “net 30-day basis,” indicating that payment would be due within 30 days of delivery. *Id.* The court also noted that the letter included bulk pricing specifications (e.g., \$4.25 for 10,000 introductory sheaths, \$4.05 for 25,000 introductory sheaths, etc.) as well as prices for different models.

The court did concede that the letter concludes with an invitation for further discussion of Boston Scientific’s needs and specifications. However, despite this language, the court decided that the letter contained multiple offers for sale that Boston Scientific could have accepted, thereby binding the parties in a contract.

In coming to this decision, the court cited two cases. First, *Merck* described an offer as providing “essential price, delivery, and payment terms,” which the court notes were found in the present letter. *Merck & Cie v. Watson Lab’ys, Inc.*, 822 F.3d 1347, 1351 (Fed. Cir. 2016) (quoting *Grp. One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048 (Fed. Cir. 2001)). Additionally, *Cargill* described a communication including a quantity of product to be delivered at a specified unit price as “powerful evidence of a sales transaction.” *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1370 (Fed. Cir. 2007). The court noted that quantity and unit prices were listed in the present letter.

Junker argued that the letter did not contain key elements of an offer, namely a size and quantity of the product. However, the court did not find this persuasive, noting that Boston Scientific would merely have to choose a model and quantity listed in the letter. Additionally, Junker argued that the letter was merely a price quotation. While the court agreed that that the letter used the term “quote” three times, the court referenced the Restatement (Second) of Contracts, stating that an offer may include the term “quote” while still being an offer. The court additionally noted that the precise language used is relevant, but not controlling; instead the terms of the communication in their entirety are to be considered to determine whether an offer was intended. In view of the larger context of the letter, the court maintained that the letter was an offer for sale.

IV. Conclusion

The court reversed the district court’s summary judgment of no invalidity under the on-sale bar due to the letter constituting an offer for sale. The factors pointing towards an offer included it being sent to a single recipient with specifics pertaining to pricing, shipping, and delivery conditions.

V. Appendix

Xentek price chart

Size	ORDER QUANTITIES			
	5,000	10,000	25,000	50,000
4F-6F	\$4.45	\$4.25	\$4.05	\$3.95
7F-8F	4.70	4.50	4.30	4.20
11F	5.05	4.85	4.75	4.70

Perspective view of the '839 patent

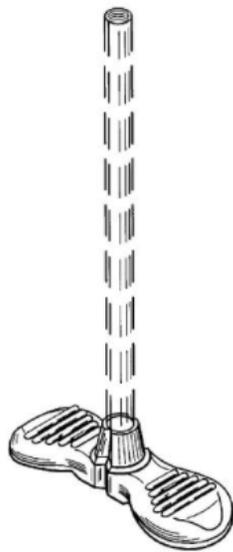


FIG. 1

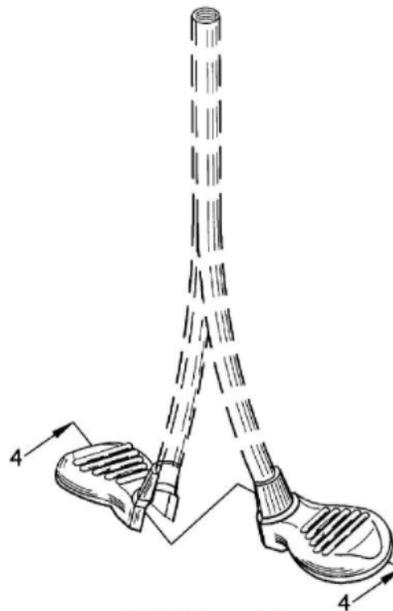


FIG. 2