

DECEMBER 18, 2006

## Plumtree Software, Inc. v. Datamize, LLC

No. 06-1017, Federal Circuit (Newman, Friedman, Dyk)

*Performing the steps of the patented method for a commercial purpose is clearly an attempt to profit from the commercial use of an invention. Consequently, performing the patented method for commercial purposes before the critical date constitutes a sale under § 102(b).*

On December 18, 2006, the Federal Circuit, inter alia, vacated and remanded the district court's summary judgment that U.S. Patents No. 6,460,040 and No. 6,658,418, which related to computer programs, known as authoring tools, used to create other computer programs, were invalid under the on-sale bar of 35 U.S.C. § 102(b). The Federal Circuit stated:

A claimed invention is considered to be on sale under § 102(b) if the invention is sold or offered for sale more than one year before the filing date of the patent application. . . . The Supreme Court in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55 (1998), has set forth a two-part test for determining whether there was a sale or offer for sale for purposes of § 102(b). First, "the product must be the subject of a commercial [sale or] offer for sale." Second, "the invention must be ready for patenting." The second condition is met by "proof of reduction to practice before the critical date." Here the parties agree that the authoring tool was reduced to practice in the winter of 1994. Accordingly, we need only consider the first prong of the *Pfaff* test.

[O]n this record, we cannot sustain the district court's conclusion that the method claims are invalid under the on sale bar rule. The district court reasoned [that] "the network kiosk system that was demonstrated in March of 1995 at the Las Vegas show embod[ied] all the claims" of the '040 and '418 patents. These statements reflect confusion as to the nature of the patented product. Here the invention reflected in the method claims is a process for creating a kiosk system, not the kiosk system itself. The kiosk system itself is not patented. The court's focus on whether



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the kiosk system somehow embodied the claims of the patent was misplaced, and the district court's reasoning does not support a grant of summary judgment. Nor does the record support the ultimate result reached by the district court. . . .

[T]he written agreement between [Multimedia Adventures] MA and [Ski Industry of America] SIA did not unambiguously require use of the patented method. The agreement did require MA to "provide the software/hardware package necessary to produce the interactive touch-screen information center as presented to SIA on January 17, 1995 in McLean, Virginia." This reference to the software/hardware package is ambiguous as to whether it required MA to provide the kiosk system software or to perform the patented method. Moreover, Plumtree has made no showing that extrinsic evidence would compel an interpretation that MA was bound to perform the patented method. Therefore, the record does not provide a basis for summary judgment on this issue. . . .

Even if Plumtree did not agree before the critical date to perform the patented process, Plumtree could prevail on summary judgment if it demonstrated that MA in fact performed each of the steps of the patented process before the critical date pursuant to the contract. . . . We have explained that "the intent of [§ 102(b)] is to preclude attempts by the inventor or his assignee to profit from commercial use of an invention for more than a year before an application for patent is filed." Performing the steps of the patented method for a commercial purpose is clearly an attempt to profit from the commercial use of an invention. Consequently, performing the patented method for commercial purposes before the critical date constitutes a sale under § 102(b).

However, Plumtree has not on this record established that MA actually performed all of the patented steps before the critical date pursuant to the contract. While it is apparent that [the inventor] Kevin Burns used the authoring tool to create the kiosk system, the kiosk system was not finished until after the critical date, and it is unclear whether Burns performed each of the patented method steps before the critical date. Accordingly, summary judgment was not appropriate in this case.

For more information on these issues or other intellectual property law matters, please contact **Lawrence M. Sung, Ph.D.** at [lsung@nixonpeabody.com](mailto:lsung@nixonpeabody.com) or 202-585-8221.

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