SUPREME COURT
OF THE UNITED STATES

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HELSINN HEALTHCARE S.A.,)

Petitioner,)

v.) No. 17-1229

TEVA PHARMACEUTICAL USA, INC.,)

ET AL.,)

Respondents.)

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Washington, D.C.

Tuesday, December 4, 2018

The above-entitled matter came on for oral argument before the Supreme Court of the United States at 11:05 a.m.

APPEARANCES:

KANNON K. SHANMUGAM, ESQ., Washington, D.C.; on behalf of the Petitioner.

MALCOLM L. STEWART, Deputy Solicitor General, Department of Justice, Washington, D.C.; for the United States, as amicus curiae, supporting the Petitioner.

WILLIAM M. JAY, ESQ., Washington, D.C., on behalf of the Respondents.

C O N T E N T S

P R O C E E D I N G S

(11:05 a.m.)

CHIEF JUSTICE ROBERTS: We'll hear argument next in Case 17-1229, Helsinn Healthcare versus Teva.

Mr. Shanmugam.

ORAL ARGUMENT OF KANNON K. SHANMUGAM

ON BEHALF OF THE PETITIONER

MR. SHANMUGAM: Thank you, Mr. Chief Justice, and may it please the Court:

In the America Invents Act, Congress transformed the nation's patent laws. As part of its shift from a first-to-invent to a first-to-file system, Congress revised the definition of "prior art" and clarified the proper understanding of the phrase "on sale."

The on-sale bar, like the other bars in the definition, reaches only a disclosure that makes the claimed invention available to the public. That interpretation is consistent with the plain text of the definition and its legislative history. It's consistent with the predominant objective of the on-sale bar as repeatedly articulated by this Court; namely, to preserve the public's access to inventions

that have entered the public domain.

CHIEF JUSTICE ROBERTS: Well, it might not be consistent with the actual meaning of the word "sale," though, right?

MR. SHANMUGAM: The critical phrase --

CHIEF JUSTICE ROBERTS: If you're having -- if you're -- if something's on sale, it doesn't have to be on sale to everybody. It could be just I'm going to sell something to you.

MR. SHANMUGAM: Well, the critical phrase, Mr. Chief Justice, is not "sale." It is "on sale." And I do think that the more natural understanding of "on sale" is that something has been made available for purchase by the public.

And so, for instance, if after this argument in the lawyers lounge I turn to my friend, Mr. Jay, and I say, I see that you didn't bring a coat today, I'll sell you my coat for $5, I'm not sure that that would be putting my coat on sale in the same way that it would be if I turned around to the audience and said I'll sell this coat to the highest bidder.

JUSTICE KAVANAUGH: Why not? I don't

-- and if it's sold, it's pretty hard to say something that has been sold was not on sale.

MR. SHANMUGAM: I think that the concept of "on sale," Justice Kavanaugh, conveys some sense of broader availability or, at a minimum, that there's some ambiguity about that.

That is to say, I think I'm willing to recognize that perhaps you could make the argument that even offering something privately to one person could be said to be putting something on sale.

Our view as a textual matter is that to the extent that there's any ambiguity --

JUSTICE KAVANAUGH: Isn't it always the case that if you offer it to even one person or to a small group of people, it's on sale?

MR. SHANMUGAM: I think that I would --

JUSTICE KAVANAUGH: I -- I guess I'm not understanding that.

MR. SHANMUGAM: I think I would say, Justice Kavanaugh, that something can be on sale regardless of how widely it is, in fact,

sold. So, for instance, if you put something in the shop window and no one, in fact, wants to buy it and no one, in fact, buys it, it can still be on sale.

But, again, to the extent that there is any doubt about the phrase "on sale" in vacuo, I think that that doubt probably was eliminated before the AIA by the surrounding phrases, all of which, by Respondents' recognition, convey some notion of public availability.

And then any lingering doubt was completely removed by the inclusion of the catch-all phrase "in the AIA."

JUSTICE BREYER: You said that the opinions of this Court support you, but, of course, you know perfectly well is you have -- we only have Justice Story, Learned Hand, and I guess various others, maybe John Marshall for all I know, who -- who -- who said that that isn't the sole purpose, that the purpose of this on-sale rule including private sales is to prevent people from benefiting from their invention prior to and beyond the 20 years that they're allowed.

MR. SHANMUGAM: Justice --

JUSTICE BREYER: And -- and that's -- so I read that, I had my clerk look it up, seems right.

MR. SHANMUGAM: Justice Breyer, Respondents' whole argument before this Court, I would respectfully submit, is really a junior varsity version of congressional ratification. No fewer than six times in their brief they refer to the two centuries of precedent.

JUSTICE BREYER: Uh-huh.

MR. SHANMUGAM: I would respectfully vigorously disagree with that, particularly with regard to this Court's decisions. And let me get to Judge Hand, but let me start with this Court's decisions, starting with Justice Story's opinion in Pennock.

This Court has consistently articulated the predominant purpose of the on-sale bar as preserving the public's access to inventions that have entered the public domain.

Indeed, if you go back to Pennock, Justice Story, at a time when the on-sale bar was not yet codified in the statute,

articulated the purpose in precisely that term both with regard to the public use bar and with regard to the on-sale bar. He said, if the inventor shall put the invention into public use or sell it for public use before he applies for a patent, this shall furnish another bar to his claim.

And all the way through to this Court's decision in Pfaff, this Court has referred to "the reluctance to allow an inventor to remove existing knowledge from public use" and has said that that purpose undergirds the on-sale bar. And I --

JUSTICE KAVANAUGH: Doesn't commercial exploit -- exploitation also undergird the bar?

MR. SHANMUGAM: I don't think we would dispute that that is one way of characterizing the underlying purpose, and that is what Judge Hand said in the Metallizing opinion.

JUSTICE BREYER: Of course, that can all be secret. It's not very hard.

MR. SHANMUGAM: But I don't think --

JUSTICE BREYER: You have an invention --

MR. SHANMUGAM: I think to --

JUSTICE BREYER: -- that is practiced -- well, I'm looking at the word "practice." And it's not just one word. It's also practicing the invention. And you can practice the invention in such a way that the user of the invention can't find out what the invention is. That's not uncommon.

MR. SHANMUGAM: Let me say --

JUSTICE BREYER: And, therefore, we have two that do not involve the public awareness of the invention itself or how it is produced.

MR. SHANMUGAM: So let me say just one last thing about this Court's decisions and then address that concern directly.

I think that if you were to adopt our interpretation under which public availability is required to trigger the on-sale bar, just like all of the other bars, you would not have to discard any of the reasoning of this Court's cases and you wouldn't have to change any of the outcomes of this Court's cases. We believe that all of this Court's cases on their facts would come out the same way.

Now, with regard to this alternative

formulation of the purpose, which I think really first appeared prominently in Judge Hand's opinion in Metallizing and then did -- did get picked up in a couple of this Court's decisions, I'm willing to accept that, when you have a sale, there is obviously a commercial aspect to that. The person who sells the item receives some consideration in response to that.

But I don't think it's fair to say that what Judge Hand was doing was saying that the on-sale bar reaches all forms of pre-patent commercialization. I think that that is an over-reading of the on-sale bar.

And I think that, critically, even our interpretation of the on-sale bar obviously substantially limits an inventor's ability to profit from his or her invention because, if you do have public availability and a sale, that is still going to be prohibited.

JUSTICE GINSBURG: Mr. Shanmugam, is it --

MR. SHANMUGAM: Our submission is simply that the statute --

JUSTICE GINSBURG: May -- may -- would

you please clarify one thing? I -- I thought that one argument was that the AIA changed the way it was. But your definition of "on sale" seems to apply -- you seem to say there was no change; "on sale" never included the secret sale.

MR. SHANMUGAM: Justice Ginsburg, as I said at the outset, I think that what Congress did in the AIA was to clarify the proper understanding of the phrase. And I do think that at least our argument concerning the noscitur a sociis canon would still have applied even before the AIA. Obviously, we have the addition of the catch-all phrase.

And I think, under this Court's decisions construing materially identical language, catch-all provisions do shed light on the meaning of the categories that precede them. But in our view --

JUSTICE KAVANAUGH: If that was a --

MR. SHANMUGAM: -- in terms of what the --

JUSTICE KAVANAUGH: -- if that was a clarification, it was a terrible clarification because there were a lot of efforts, as you

well know, to actually change the "on sale" language, and those all failed.

MR. SHANMUGAM: I think, in fairness, Justice Kavanaugh, I would say that this was exactly the way to achieve Congress's dual objective. First --

JUSTICE KAVANAUGH: You don't think it would have been easier to just change it directly, as many members of Congress tried to do repeatedly and failed?

MR. SHANMUGAM: I -- I think that that is, with respect, an overstatement of what members of Congress tried to do. I think that, at most, as Respondents point out, there were bills that would have deleted "public use" and "on sale" from the definition.

But I think that there was good reason, actually, to retain those phrases. As the legislative history to which -- to which Respondents point suggests, there was a surrounding jurisprudence concerning these terms which Congress may have wanted to retain, things like the ready for patenting requirement.

Retaining those phrases also made

clear that where the inventive embodiment is in the public domain, the statute reaches those cases no differently from when the inventive idea is in the public domain.

What Congress was trying to do in the catch-all provision and the House and Senate reports, the most definitive form of legislative history, bear this out, was to achieve two objectives: to make sure that they reached all forums of prior art, such as oral presentations, PowerPoint presentations, and the like, and also to clarify that any form of prior art must be publicly available.

And notably -- and this gets to Justice Ginsburg's question about whether there was a change in the law -- I do think that what Congress was doing was abrogating some of the outlying lower court decisions that had extended both the on-sale bar and the public use bar to cases where there was not public availability.

And, indeed, the legislative history identifies by name some of the public use cases that had so held, cases like the Beachcombers decision from the Federal Circuit and the

JumpSport decision. We also point to some of the on-sale cases that had extended to sales that did not involve public availability, cases like Special Devices and Caveney.

And I think, Justice Kavanaugh, that that's precisely why you should think that what Congress did here was fit for a purpose.

I think we would certainly acknowledge that Congress could have modified the language of "on sale," but what Congress wanted to do, we would respectfully submit, was also to fix some of this outlying Federal Circuit case law on public use.

Now, of course, that phrase "public use" one might think would have inherently conveyed some notion of public availability, as Respondents themselves suggest in their brief. But at the same time, you had the Federal Circuit extending the public use bar to circumstances in which inventions were displayed, and private parties, the JumpSport case involved a trampoline in the inventor's backyard. These were cases where, in our view, there would not have been public availability.

And so Congress, in including the

catch-all provision, did what Congress did in cases like Seatrain Lines and Paroline. It shed light on the meaning of the pre-existing specified provisions, and to be sure, in those cases, everything was enacted at the same time, but as a textual matter, you have to read the statute as a whole.

And, again, Respondents' argument here really rests on this notion of congressional ratification. The first part of that is the part that I've already addressed, this notion that there was some settled body of law saying that you don't have to have public availability. And not only did this Court never say that, this Court never did that.

But, of course, the second component of any congressional ratification argument is that you have to have statutory language that was not changed. And this provision was dramatically revised and, to be sure, some elements of the pre-AIA definition, including the phrase "on sale," were retained, but at the same time, Congress added the catch-all phrase. It defined a claimed invention. And, of course, it shifted to a first-to-file system,

which largely addresses this concern about improper commercialization because, of course, any inventor who engages in commercial activity without applying in a first-to-file system runs the risk that another inventor will beat them to the Patent Office.

And that is a concern, I would respectfully submit, that is particularly acute in a context like this.

JUSTICE KAVANAUGH: On -- on the first part of what you just said as to what the law was, the amicus brief, the Lemley amicus brief says the law has always treated secret sales and uses as prior art. Are you disagreeing with that?

MR. SHANMUGAM: I am disagreeing with that. And, again, in our view, and the government can offer its view with the institutional heft of the Patent Office, there is no decision of this Court that would have to be disturbed.

In our view, there are a handful of Federal Circuit cases that would come out differently if a public availability requirement is applied.

And I want to say one more --

JUSTICE BREYER: What about Bonito Boats? I mean, in Bonito Boats, this Court, while it isn't necessary for the holding, does quote Learned Hand, and it does say it is a condition upon the inventor's right to a patent that he shall not exploit his discovery competitively after it is ready for patenting. He has to go ahead and patent it or keep it a secret forever.

So an inventor who, in fact, in year one has his invention ready for patenting, and goes around from one person to another secretly selling it to each with a confidentiality agreement, is a person who is exploiting his agreement -- his invention and, therefore, since he didn't do it through a patent, he loses the right for a patent.

That seemed to me the clear -- pretty clear rationale of Learned Hand, of why the Court did that in Bonito Boats, of why Justice Story said what he said, and I think it's that that the Lemley brief was relying upon when they made that statement.

MR. SHANMUGAM: We are not disagreeing

that that can be fairly read to be a purpose of the on-sale bar. My submission is a much more modest one. It is that, in order to accept Respondents' submission, you have to think that the on-sale bar really pursues that purpose at all costs.

And part of the reason why we know that that is not true is because Respondents themselves concede that, if this arrangement had been structured slightly differently, if this had been structured as a right to profit sharing rather than a -- a structure where you have upfront payments followed by payments per unit for any eventual product, if there even is one --

JUSTICE BREYER: Can we -- can we accept that point, write something in your favor on that, that is, that there is a question of what is on sale. It's not the public/private question.

There are experimental exceptions, for example, and perhaps there should be other, if not exceptions, at least care taken to be certain that it is an exploitation of the invention when it is a private sale.

I mean, to go that far seems consistent with what we have previously said and what they say with the exceptions in the statute.

It's where you want much more than that, really, that -- you've read --

MR. SHANMUGAM: I -- I don't think we want --

JUSTICE BREYER: -- the Lemley brief. I've read the Lemley brief. We've all read these different --

MR. SHANMUGAM: Justice Breyer, I don't think we want much more than that. We might suggest, respectfully, that the opinion be written slightly differently.

JUSTICE BREYER: Yes.

MR. SHANMUGAM: I mean, I think that we think that this Court should correct the Federal Circuit's error, which is to say that public availability is not required.

Now Respondents, we believe, have forfeited any argument that there is public availability here. But we also think that this would be an easy case under a public availability requirement, both because this

involved a sale to a single distributor, MGI, that was under an obligation of confidentiality, and also because this was a development arrangement of which distribution was an eventual possible part.

There was not even a product at the time of this arrangement. And so we certainly think that this would be an easy case under a public availability requirement.

I'd like to reserve the balance of my time for rebuttal. Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Stewart.

ORAL ARGUMENT OF MALCOLM L. STEWART

FOR THE UNITED STATES, AS AMICUS CURIAE,

SUPPORTING THE PETITIONER

MR. STEWART: Mr. Chief Justice, and may it please the Court:

In the government's view, there are two basic reasons that the transaction at issue here shouldn't be held to trigger the on-sale bar. First, MGI was not a company that intended to use the drug for its -- that planned to use the drug for its intended

purpose by administering it to patients. MGI proposed to function as a financial intermediary that would take title to the Palonosetron but ultimately would resell it.

And, second, even as to MGI itself, the transaction did not provide any assurance that title would ultimately pass because the terms of the deal were subject to various contingencies. And I'd like to focus on the -- the first point first.

None of this -- none of the Court's decisions in either the public use or the -- the on-sale bar apply -- holding those bars to apply have dealt with situations involving distribution intermediaries. All -- all but one of those cases have involved fact patterns in which the invention was actually out there in the world being used for its intended purposes, and that was what was held to trigger the on-sale or the public use bar.

The only exception to that is Pfaff, because Pfaff involved an offer for sale that had not yet been consummated, and the Court held that the bar was triggered even though the invention had not yet been supplied.

But even in Pfaff, you had a firm offer to Texas Instruments that proposed -- that intended to use the component for its ultimate purposes to be incorporated into larger machines. You didn't have an entity that intended to buy the product solely for resale.

And -- and I think in terms of how do we usually understand phrases like "on sale" or "available to the public," our reading really conforms much more closely to usual public practices. That is, if you imagine a situation with a new product like an iPhone, it's manufactured. It's sold to a wholesaler. The wholesaler sells it to a retailer. And then the retailer sells it to consumers. There's a train of transactions that constitute UCC sales.

But, if you ask an ordinary speaker of the language at what point did the iPhone go on sale or become available to the public, you would say that it's when consumers could buy it, when the people who planned to use the phone for its intended purpose --

JUSTICE SOTOMAYOR: If you ask a

consumer. But if you ask in the industry to distributors, they'll say the moment that Apple was going to start shipping it to distributors.

MR. STEWART: I think you --

JUSTICE SOTOMAYOR: That I didn't win is irrelevant to me. It was on sale the moment distributors were going to pick it up and ship it out.

MR. STEWART: You -- you might use a phrase like "on sale to distributors" or "on sale to resellers" -- "resellers," but I don't think you would use the phrase "on sale" standing alone. And it would certainly be odd to describe the phone as being made available to the public at the time that Apple was accepting bids as to who would --

JUSTICE SOTOMAYOR: This definition of "on sale," to be frank with you, I've looked at the history cited in the briefs, I looked at the cases, I don't find it anywhere.

You're sort of giving "on sale to the public" its meaning, but those are not the words used by Congress. Congress could have said "on sale to the public." And then we might have to grapple with this. Congress just

said "on sale."

MR. STEWART: It said -- it retained the phrase "on sale," but it added the phrase "or otherwise available to the public." And that served two purposes.

It functioned as a catch-all so that things that were not enumerated might still constitute prior art. But it also served the purpose of clarifying that the preceding enumerated categories were different ways of making the invention available to the public.

And as we pointed out in the brief, the on sale -- the --

JUSTICE SOTOMAYOR: Doesn't that defeat your argument?

MR. STEWART: I'm sorry?

JUSTICE SOTOMAYOR: If that phrase has an independent meaning, and you've just given it two, then why don't we take the words Congress used with their history? Because they didn't say "on sale to the public"; they just said "on sale." And when you have a historical term that has a history, as a matter of course, we look at that history.

MR. STEWART: I -- I think it's

certainly appropriate to -- to look to the Court's -- to -- to the history, in particular to this -- particularly to this Court's prior decisions. And if this Court had previously held the on-sale bar to be applicable to sales to distribution intermediaries, then we might say this is a fairly oblique way of overturning those decisions.

Our -- our key point is this Court --

JUSTICE KAGAN: So is that right? If -- if -- if you assume for a moment that the law was pretty settled before the AIA, then do you think that the AIA would -- that the language added in the AIA would have been capable of flipping that settled law?

MR. STEWART: If you thought it was settled by this Court's decisions that the on-sale bar applied to this sort --

JUSTICE KAGAN: How about if I say it was settled because this Court had decided Pfaff and because the Federal Circuit had a number of cases?

MR. STEWART: I -- I don't think that's sufficient to treat the law as settled, especially because there is evidence both from

the face of the statute, the fact that "otherwise available to the public" was added, also from the legislative history, that Congress was attempting to clarify that the enumerated terms were ways of making the invention available to the public.

I mean, the other thing I would say to -- to follow up on something that my -- my colleague mentioned is that one of the justifications for the on-sale bar traditionally has been prevent the inventor from profiting before he is ready to put his invention up for patent.

And that justification -- that justification is neither sufficient nor necessary on Respondents' view of the case. That is, as Mr. Shanmugam pointed out, Respondents themselves agree that there are other transactions by which Helsinn could have gotten money up front, could have gotten seed money in return, for instance, for promising a share of the profits. Those would not have triggered the on-sale bar.

The other thing is that, in the Federal Circuit's decisions, it's not even

necessary that the inventor profit from the sale in order for the -- the on-sale bar to apply. The Federal Circuit has confronted fact patterns in which the inventor will ask an outside supplier to produce physical embodiments of the invention and deliver those to the inventor.

Obviously, the inventor is not profiting from that. The inventor is paying money for the production. And the court -- the Federal Circuit has said that triggers the -- that at least potentially triggers the on-sale bar --

JUSTICE KAGAN: So --

MR. STEWART: -- because there's a UCC sale.

JUSTICE KAGAN: So, Mr. Stewart, I'm going to ask you to accept my assumption, and it's a big assumption, I realize that. But just accept the assumption that the law was settled prior to the AIA and it was settled Mr. Jay's way, not your way.

Then is the new language that the AIA put in the statute -- would that be enough to unsettle it?

MR. STEWART: No, I think that would be a fairly oblique way of attempting to overturn kind of a settled body of law. But, as I say, the -- the body of law that the Federal Circuit has developed doesn't map onto any policy justification.

The other thing I would say about Pfaff is that, in Pfaff, the Court emphasized that the sale was what it referred to as a commercial sale rather than an experimental sale. And the Court at some length discussed the body of cases involving the experimental use doctrine and the --

JUSTICE KAVANAUGH: You --

MR. STEWART: I'm sorry, Justice Kavanaugh?

JUSTICE KAVANAUGH: Go ahead.

MR. STEWART: And the -- the Court has recognized that even when an invention is being used out in the public square in a manner that is visible to the public, it's not the sort of public use that triggers the public use bar if it is being done for experimental purposes, to verify that the invention will work as a stage precedent to patenting.

And the Court in Pfaff strongly indicated if a sale is made so that the buyer can engage in experimentation, rather than to use the product to achieve its intended benefits, that won't trigger the on-sale bar.

JUSTICE KAVANAUGH: You -- you mentioned the legislative history, but, here, isn't this a classic example of trying to snatch victory from defeat in some of the legislative statements?

In other words, there was this law before, as Justice Kagan mentions, a huge effort to change it, lots of proposals to change it. They all fail, and then a couple statements said on the floor on which you're relying. I -- I think the legislative history, read as a whole, goes exactly contrary.

MR. STEWART: Well, to answer that, let me point to -- to one of the things --

JUSTICE KAVANAUGH: What's wrong with thinking that way?

MR. STEWART: I think what's wrong with thinking that way is that, as we've pointed out in our brief, the -- the prior art provision encompasses two conceptually distinct

ways of placing an invention in the public domain.

If the invention is patented or described in a printed publication, that means that the inventive idea has been made available to persons skilled in the art such that they would be able to make it. And the on-sale bar and public use bars deal with situations in which physical embodiments of the invention had been placed in the -- the public domain.

Now some of the proposals that you refer to, Justice Kavanaugh, would have said things to the effect of it has been patented -- patented, described in a printed publication or otherwise available to the public.

I think, if that language had been used and there had been no reference to on sale or public use, it would have been at least a permissible inference that the "otherwise available to the public" referred solely to circumstances in which the inventive idea had been disclosed.

And that would have -- that really would have overturned a great deal of this Court's law concerning the on-sale and public

use bars because those can be triggered even if the public is not aware of how the invention works, so long as physical body -- embodiments have been made available.

So I think Congress got the best of both worlds by -- by clarifying that all these things have to be public in some manner, but also clarifying that making physical embodiments available is sufficient.

CHIEF JUSTICE ROBERTS: Thank you, Mr. Stewart.

Mr. Jay.

ORAL ARGUMENT OF WILLIAM M. JAY

ON BEHALF OF THE RESPONDENTS

MR. JAY: Thank you, Mr. Chief Justice, and may it please the Court:

A product that is sold or offered for commercial sale is on sale, as this Court has consistently read that term. That established meaning didn't change when Congress added a new category of invalidating prior art to the statute. That's events that make the invention available to the public in other ways not already covered by the statute.

So Helsinn's argument, as you heard

this morning, is that although it sold its invention, that sale did not place the invention on sale. We submit that not only did Helsinn place the invention on sale, it also made the invention available to the public.

But I'd like to begin with first the plain meaning of "on sale." We think that the reason that the statute uses "on sale" and that this Court has always read it this way, including in Pfaff, is to cover offers for sale. If it just -- if the statute simply said sales, then it wouldn't cover offers. And offers are important for two important reasons -- for two key reasons.

One, an offer shows -- the willingness to place the invention on sale, to make an offer to sell the product, shows that the inventor is ready to commercialize the invention. And if they're ready to commercialize the invention, and then the second half of the Pfaff test is met, the invention itself is ready for patenting, then the inventor ought to be going to the Patent Office and applying for a patent.

If instead the inventor wants to

commercialize the invention, deriving profit from it, then the inventor can do that but should not expect a legal monopoly that could extend past the statutory term.

JUSTICE ALITO: Well, I think the most serious argument you have to deal with is the meaning -- the plain meaning -- the fairly plain meaning of the new statutory language.

So you say "on sale" means on sale publicly or on sale privately, right?

MR. JAY: Right. On --

JUSTICE ALITO: All right.

MR. JAY: -- on sale, period, full stop.

JUSTICE ALITO: Okay. So suppose that the statute had been amended to read just the way it does, except -- so it would -- with one exception. So it says the -- the claimed invention was patented, described in a printed publication, or in public use, on sale publicly or on sale privately, or otherwise available to the public.

That would be nonsense, wouldn't it?

MR. JAY: I -- I think it would be confusing. That -- that's certainly right.

But I do think that it would specify that one of the categories of invalidating prior art would be on sale privately.

And in your hypothetical, I think this Court would give effect to the choice that Congress made, even though one of the items in the list might stick out somewhat and not --

JUSTICE ALITO: It would be -- it would be nonsense because the meaning of "otherwise" is in the same -- in some other manner, to do the same thing in some other manner.

And you have -- what we have now after this change is an enumerated -- is an enumeration of a number of things that are public, a printed publication in public use, two things that are obviously public.

Then we have on sale. And then it says, "or otherwise available to the public." And I find it very difficult to get over the idea that this means that all of the things that went before are public.

MR. JAY: So two points.

JUSTICE ALITO: That's what "otherwise" means.

MR. JAY: So, of course, you know, Your Honor sort of asked me to assume that this is a statute that's being written from scratch, and I think that that takes off the table all of the history of the statute as it was before 2011.

But, second, even taking -- even taking that off the table and looking at the statute, a statute like the one that you've proposed, the reason that your example was different from this statute is that, in your example, there's one category, on sale privately, that doesn't even have any overlap with available to the public.

And we've never disputed that many sales do, in fact, make inventions available to the public, but we do think that "on sale" has its own meaning, and one important part of that meaning is offers.

And we think that structurally, if "on sale" is to include offers, and we think there is no way to read that definition to exclude offers, offers are not generally going to make an invention available to the public.

My friends on the other side in their

brief suggest that that might happen in a newspaper advertisement, but it's extremely unusual to see in a newspaper advertisement all of the details of a claimed invention disclosed.

So we think that the function of "otherwise" in the statute as amended, again, even taking off the table all of the history, is to acknowledge that there is overlap between the previous four categories and the new category of invalidating prior art that's being added, so as to make sure that the new category doesn't swallow or change the meaning of a prior one.

Let me illustrate that with an example.

JUSTICE ALITO: So -- so the new category consists of offers?

MR. JAY: The new -- sorry, the new category consists of things that make the -- that otherwise make the invention available to the public.

JUSTICE ALITO: And what would be within that category?

MR. JAY: An oral presentation at a

conference without slides, you know, PowerPoint slides that get distributed. That's one example. Another that's discussed in the High Tech Inventors Alliance brief is collaboration among many people on an app, an app -- a collaboration app which is not on the Internet and is not indexed and would not count as a printed publication but ought to be the kind of disclosure.

I mean, the government agrees with us, and I think by the end of the briefing Respondent -- Petitioner has agreed with us that this new category's primary function is to create new invalidating prior art disclosures that weren't invalidating before the AIA.

And we think that it would be strange for Congress, by creating a new invalidating category, in other words, narrowing the scope of things that could be patentable to indirectly, and by the -- the strangest implication, narrow a category of prior art and widen the scope of things that could be patented.

I think it's -- as a historical matter about this case, I think it's important to

understand that Petitioner had gotten three patents before the AIA, all of which were invalidated below. And Petitioner hasn't sought cert on that, and, indeed, told this Court at page 3 of the reply brief that it could assume that that decision was correct under the -- under the prior interpretation of the AIA -- I'm sorry, of the "on sale" words.

JUSTICE SOTOMAYOR: Mr. Jay --

MR. JAY: Yes.

JUSTICE SOTOMAYOR: -- you were cut off before you gave an example. I wasn't quite moved by your baseball example. So do you have something else in something that's based in law where "otherwise" was used in the way you suggest?

And the second part of my question is, will we be the only country that has a first-to-file system that includes private sales?

MR. JAY: So let me answer the second part first --

JUSTICE SOTOMAYOR: Confidential-wise.

MR. JAY: -- just because I think -- I think -- I think it's a pretty straightforward

answer. The on-sale bar itself is unique. The other -- other countries don't have an on-sale bar that includes public sales. They just don't have an on-sale bar at all. So --

JUSTICE SOTOMAYOR: I'm sorry. Explain that to me, an on sale -- no -- there is no on-sale bar --

MR. JAY: Right.

JUSTICE SOTOMAYOR: -- public or private?

MR. JAY: Right. Sales are not a category in the other countries' patent systems that are just discussed in the briefing. The point made is that those countries don't rely on secret prior art, but they also don't have an on-sale bar at all.

So, in this country, we have and have decided -- and Congress has decided to retain a category of invalidating prior art that -- that -- that has, as the purpose, measuring whether the inventor is commercializing the invention, is ready to commercialize the invention, an invention that under the second half of the test is ready for patenting.

So -- so that is itself somewhat

unique. And I think that's the answer to why you don't see this in other countries.

On -- on your -- on the first question you asked, Your Honor, what I was getting to with -- with Justice Alito about the -- the addition of "otherwise available to the public," rather than just "available to the public," we think the word "otherwise" serves to acknowledge that there is overlap and to avoid this strange situation.

So if the statute had said described in a printed publication -- dot, dot, dot -- or available to the public, one implication of that might be if there weren't a clarifying word like "otherwise" to make clear that that new category was a residual category intended to catch things not already caught, the implication might be that, well, gosh, in order to give content to the other items in the list, we better read them to include things that are not available to the public, such as printed publications that are not indexed, that are not available to the public.

There is a lengthy -- an extensive body of law on that. So, for example, a Ph.D.

thesis that's on a shelf somewhere but is not indexed and not readily findable does not count as a printed publication.

We think that the best reading of this new category is that it creates a new set of invalidating prior art and it does not unsettle any of the prior categories, whether patented, described in a printed publication, in public use, or on sale.

And it certainly doesn't -- doesn't disturb the basic policy justification for the on-sale bar, which deals not with the stock of public knowledge, precisely because, as my friend, Mr. Shanmugam, and my friend, Mr. Stewart, have both -- have both discussed, putting an embodiment out in the public or even offering to put an embodiment of the invention out in the public for money, meaning on sale, that may not tell the public anything about how the invention works.

JUSTICE BREYER: Can -- can you answer Justice Alito's and Justice Sotomayor's first question? That is, I can think of examples, but they're a little awkward. I mean, the meet, the sports meet will include football,

basketball, running, swimming, or otherwise -- or games that otherwise involve a ball, okay?

Or breakfast, a healthy breakfast includes Fiber One bran flakes, fruit, tea, and food that otherwise is a -- what do you -- fiber heavy, you see, but -- but each of those is somewhat awkward, each of the ones.

So it's possible among these excellent briefs -- I thought the bar really earned its pay on both sides -- but, I mean, the -- the -- the -- I couldn't come up with a good English example there. So I thought maybe -- maybe you have.

MR. JAY: So I actually -- and thank you, Your Honor.

(Laughter.)

MR. JAY: The -- the example that we thought of actually is --

JUSTICE BREYER: There were an awful lot of them.

MR. JAY: There are -- is very close to your -- your football, baseball, swimming example. And I think, in particular, that if a statute said, you know, don't engage in football, baseball, or swimming, full stop, I

think everyone would understand what football and baseball and swimming meant.

And if the -- if the statute were then amended to add "or any other activity that involves the use of a ball," that might be a bit awkward, but no one would think that it changed the meaning of swimming, that it required the adoption of a atextual meaning of swimming that doesn't appear in any dictionary, or that it required anything, other than the addition of --

JUSTICE KAGAN: Well, I'll give you another one.

JUSTICE ALITO: Well, it would be nonsense.

JUSTICE KAGAN: I'll give you another one, Mr. Jay. So suppose I say don't buy peanut butter cookies, pecan pie -- this is the key one, ready -- brownies, or any dessert that otherwise contains nuts. Do I -- do I violate the injunction if I buy nutless brownies?

MR. JAY: So I think that the reason that that hypothetical -- so I think I would say no. Do I -- do you violate the injunction if you --

JUSTICE KAGAN: In other words, can I buy nutless brownies?

MR. JAY: I think so -- I think you can. And I think that the reason -- the reason for that is that "brownies" is a -- is a term that might or might not, you know, be read to include brownies with nuts or -- or -- or brownies otherwise.

But I don't think that you have that permissible reading of "on sale" here. And, in addition --

JUSTICE KAGAN: You're saying it's not even like a little bit doubtful what "on sale" means?

MR. JAY: Certainly not by the time the AIA was -- was enacted, no, I don't think that it was. I don't think that it was doubtful by -- by any dictionary that we found, either when the bar was enacted or when it was recodified in 1952, or when it was reenacted in 2011. So, no, I don't think it's a permissible reading. And in your --

JUSTICE KAGAN: Because in Mr. Shanmugam's excellent brief, he --

(Laughter.)

JUSTICE KAGAN: -- he certainly seems to think that "on sale" means something different from what you thought it meant. And I guess what my hypothetical is designed to do is to say, look, let's take a term that could be read one way or the other and then let's attach that "otherwise" language to it. And it seems pretty clear that the "otherwise" language would be doing something.

MR. JAY: So -- well, of course, it is doing something on both sides' reading and I think that, you know, that it creates this new category --

JUSTICE KAGAN: Yeah, yeah, yeah.

MR. JAY: -- but -- right.

JUSTICE KAGAN: You know what I mean.

MR. JAY: I do. And -- but in that -- in both of his excellent briefs you won't find any dictionary definition anywhere of "on sale," no -- no engagement with the meaning of "on sale." There's just -- just a cross-reference to the government's brief.

And the government cites a dictionary that says that "on sale" means available for purchase by customers. And a customer is just

someone who buys something. I -- it certainly doesn't mean available in an open, you know, non-hidden way, and it doesn't mean available to the entire world.

One sale to one willing purchaser has always been an invalidating sale. And I think that the reason for that -- one reason for that, this Court brought out in Pfaff is that it gives the inventor him- or herself a degree of predictability. The inventor controls when -- when she wants to place her invention on sale.

If, instead -- if it were something more ambiguous that involved when the invention is not just sold by the inventor to a wholesaler or sold by the wholesaler to a retailer, but instead when it was placed on sale by the retailer at the end of the process.

JUSTICE KAVANAUGH: But given your position. I'm -- Im sorry. Given your position, you have the wrong answer to the brownies hypothetical, I think.

MR. JAY: Oh, so if you -- if you -- my answer to the brownies hypothetical is -- is based on the idea --

JUSTICE KAVANAUGH: As a term, it covers with nuts or without nuts. Right?

MR. JAY: So I -- I guess it -- right. It depends --

JUSTICE KAVANAUGH: Maybe we lost the hypothetical.

MR. JAY: Yeah, right. I guess maybe I'm -- maybe I'm misunderstanding the hypothetical or at least maybe we're having a disagreement about what -- what it means to be -- to be a brownie.

(Laughter.)

JUSTICE BREYER: Well, it's a good --

JUSTICE KAVANAUGH: You were saying it's ambiguous --

(Laughter.)

JUSTICE KAVANAUGH: You were saying it's ambiguous. I'm saying that is not ambiguous, right? And you were saying "on sale" is not ambiguous.

MR. JAY: I -- so I am saying that "on sale" is ambiguous. And I guess if you --

JUSTICE KAVANAUGH: Not --

MR. JAY: -- if you open the dictionary and --

JUSTICE KAVANAUGH: You're saying it's not ambiguous, "on sale"?

MR. JAY: I'm saying that "on sale" is not ambiguous. It certainly was not ambiguous when -- when chosen for continued inclusion in the AIA.

JUSTICE KAVANAUGH: Even though it says "otherwise available to the public," it's still not ambiguous?

MR. JAY: Even though it says "otherwise available to the public," it's still not ambiguous, that's right, because it -- it would take more than that. And I agree -- I agree with Mr. Stewart when -- when he answered this question.

It would take more than that to unsettle the meaning of a term with such a lengthy history and would be a very indirect way, as I think Your Honor brought out in your question in the top half of the argument, to accomplish that.

So whatever the definition -- dictionary definition, of "brownie" may be, and I guess -- I confess I'm not up on that, I -- I think that the -- the meaning of "on sale" is

sufficiently unambiguous.

And it certainly -- it certainly is not the case that "otherwise" is some talismanic word that is used in statutes, you know, to unsettle the meaning of -- of words that come before it. I think the best examples that we can give are "the party or other activity that damages the house" in Barnhart. "Party" -- "party," of course, is not even a term of art.

JUSTICE KAVANAUGH: You cite the Paroline case as an example of a case where a term -- a statute was structured like this, and the term in the catch-all then was used to influence the interpretation of the preceding terms.

MR. JAY: It was --

JUSTICE KAVANAUGH: Why is that different?

MR. JAY: It was used as -- the Court said, it was used -- it summarized what the -- you know, what the preceding terms did. It certainly wasn't used to change or unsettle a preexisting meaning. I think it's different for a couple of reasons.

One, the Court said in Paroline: Number 1, that it might well have reached the same conclusion even in if that language didn't appear in the statute because of the strong statute presumption that remedial statutes contain a proximate cause element. And, you know, that, I -- is on page 446 of the opinion.

And then on the next page, you'll see that the -- the Court has a paragraph dealing with the -- with the other language, and it does two things: One, it treats it as a series modifier because it is equally applicable to each of the five categories that's come before.

That was kind of like the argument that the other side was making in the court of appeals, that "otherwise available to the public" is a -- is a series modifier that actually modifies, as a matter of English grammar, the terms that come before it in the list. And they've abandoned that argument, and that's why we're not talking anymore about the rule of the last antecedent.

And then the third thing was -- was the point about summarizing the categories that come before. In this case, we just don't think

that "available to the public" is a fair summary of "on sale" either as a matter of ordinary English or as a matter of the specialized meaning that this Court has given it.

And I think that Mr. Shanmugam, you know, suggested that, you know -- you know, Judge Hand kind of created this, the policy behind the on-sale bar, as being something about commercializing. But I think the history goes much further back that than that, and I would urge the Court to look at a number of the late 19th-century cases, such as Consolidated Fruit-Jar, in which the Court said that the inventor is not allowed to derive any benefit from the sale or the use of his machine unless he begins -- unless he applies for patenting within the then grace period.

JUSTICE GORSUCH: Mr. Jay, say we disagree with you, just for the purposes of this hypothetical, and think that the introduction of the "otherwise" clause introduced some ambiguity about what "on sale" means now.

I understand the Patent Office has an

interpretation of this statute. What should we do with that, if anything, or should we ignore it?

MR. JAY: I -- I think that it -- it would only be relevant if it had the power to persuade. This Court has never given deference to the Patent Office on substantive questions of patentability, on what it takes to overcome the bars put in the statute by Congress where Congress has said you may not have a patent if X, Y, or Z.

Now, this Court has any number of decisions in which it has held that a patent issued by the Patent Office in conformance with the -- the office's then examination guidelines were invalid.

So we think it's entitled to respectful consideration, just as the government's amicus brief in this case is entitled to respectful consideration, but we respectfully disagree with it. We don't think that -- particularly because it doesn't deal with the meaning of "on sale" and in its attempt to reconcile that with the new language, it -- its suggestion of this new test

about availability to the public, meaning the ultimate consumer, that's not based in anything, text or definition or history or case law of any kind.

But -- so we think that a virtue of our position is that you don't need to get into the question of what it means to be available to the public when you're considering a sale. You know, a sale or an offer for sale is a concept that has been baked into this statute for a long time.

Mr. Stewart urged the Court to look at a number of aspects of this transaction, and Mr. Shanmugam, in sort of the -- the end of his four-part litany of why this -- why this invention was not available to the public, mentioned that this was a development agreement.

Now, I would urge the Court to look at part 1 of the Federal Circuit's opinion, which deals with the question of whether this was a sale at all. That's a pretty specific inquiry into whether the preconditions for this sale prevent it from being a sale, as that term is used and has been used for many, many years.

The other side, of course, didn't seek certiorari on that question. We don't think it's properly before the Court. What they did seek certiorari on is -- and if you look specifically at the question presented, it doesn't use "available to the public"; it refers specifically to secrecy, to -- to the existence of a confidentiality agreement, you know, a third party that is obligated to keep the invention confidential.

That's the only manifestation of not available to the public that they put in the question presented. And I think you've heard that, you know, the government is not defending that view, and we think that that adopting that view under which stickering a -- an offer or a product with a confidentiality agreement, and thereby taking it off the table for purposes of the on-sale bar, would be an incredibly problematic view for -- for a variety of reasons.

One, it would be easy to do. Two, it -- it would seriously undermine the purpose of the -- the on-sale bar because it would allow not just isolated commercialization, but really

rampant commercialization.

And then the third -- a third point about what it means to be available to the public, about whether this -- this distributor should count, and this goes back to a question that Justice Sotomayor asked about, you know, if you asked a consumer, you know, what -- what would it mean to be -- to be on sale. I think if you ask a pharmaceutical company what does it mean for your product to be on sale, what that pharmaceutical company would say is we're selling it to a distributor, because as we've cited and as we explained in our brief, 90 percent of the pharmaceuticals in this country are sold not -- not directly from the manufacturer to a consumer, but to a wholesaler or a -- or a distributor. That's how they are sold.

And so the implications of adopting this ultimate consumer test would be to give the pharmaceutical industry, in particular, and any other industry that operates primarily through wholesalers and distributors a real free pass from the on-sale bar.

And that -- getting back to the basic

purpose of the bar, that would undermine the statutory term, right? The -- as the Court said in Pfaff, confining the duration of the monopoly to the statutory term is one of the two key principles of the -- underlying the on-sale bar.

We think that because Helsinn placed its invention on sale and it was willing -- and part 3 of the Federal Circuit's opinion -- opinion explains why it was ready for patenting, so it had one year in which to apply for a patent. It chose not to do that.

And then, many years later, after the AIA was passed, it went back to the Patent Office and it tried to get -- and it got a patent that would be subject to the AIA that was, as the Federal Circuit explained, indistinguishable from -- for -- for relevant purposes, materially indistinguishable, from the pre-AIA patents it had -- it had obtained.

And it said that the sale that had invalidated -- that was going to invalidate its prior pre-AIA patents doesn't invalidate this post-AIA patent. So I think it's difficult for Helsinn to say that it's not withdrawing

anything from the stock of knowledge by getting a patent.

JUSTICE KAGAN: Mr. Jay, would the prior secret sale of an invention by somebody other than the patentholder invalidate the patentholder's patent?

MR. JAY: I think the answer is yes, but I -- I've not seen cases like that because I think it would be exceptionally difficult to discover. Whereas the way the sale in this case came to light and the way in which sales in patent cases generally come to light is through discovery from the inventor.

You know, as the Court said in Pfaff, you want the inventor to have control about the timing and the choice to commercialize the invention.

And so a rule that gives the inventor control over that necessarily has to leave out the possibility that someone else might also have the invention and start selling it, but that's not been an implementation problem in reality.

If the Court has no further questions, I'm prepared to yield back the balance of my

time.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Shanmugam, you have four minutes remaining.

REBUTTAL ARGUMENT OF KANNON K. SHANMUGAM ON BEHALF OF THE PETITIONER

MR. SHANMUGAM: Thank you, Mr. Chief Justice.

Our fundamental submission today is a simple one. It is that the phrase "on sale" should not be read in a vacuum but, rather, in the context of the surrounding language.

And the fundamental problem and the dispositive problem, I would respectfully submit, with Mr. Jay's submission, is that it really would read the word "otherwise" out of the statute.

I think that the hypotheticals that were proffered to Mr. Jay make that clear. But let me, at the risk of introducing another one, point to this Court's decision in one of my favorite statutory interpretation cases, United States versus Standard Brewery. That is the case that involved the Wartime Prohibition Act

which prohibited the use of grains to manufacture, and the language of the statute, "beer, wine and other intoxicating malt or Venice liquor for beverage purposes."

And believe it or not, there was actually a case in which a party was making non-intoxicating beer, and the question was whether the statute applied to that. And the Court said no, applying the very principles that we are articulating here.

And The Court's rationale was that the qualifying words "other intoxicating" in this act cannot be rejected. In the words of Justice Day, if the intention was to include beer or wine, whether intoxicating or not, the use of this phraseology was quite superfluous.

And I would respectfully submit that Mr. Jay really has no alternative way of reading the very familiar term "otherwise." Mr. Jay today, as in his excellent brief, suggests that otherwise could be read to cover situations in which there is some overlap.

We know that the public use bar and the on sale bar have considerable overlap in many cases. But it would, of course, have been

nonsensical for Congress to have said "in public use or otherwise on sale." That doesn't make sense as a matter of basic English.

And Respondents can point to none of this Court's many cases involving catch-all provisions that support that approach to the statutory language.

JUSTICE BREYER: You have a whole brief, I mean, you know, you have a brief, I mean, everybody's is excellent. Okay?

But the point is that -- that there is a brief which gives the instance of an inventor who talks daily through the internet, or otherwise, to 60,000 people and he tells those 60,000 people about his invention.

And that, they say, and similar or other circumstances, are what this last phrase is meant to cover.

MR. SHANMUGAM: Just as --

JUSTICE BREYER: Now, that gives a meaning to it.

MR. SHANMUGAM: Yes. Just as in Standard Brewery, right? That catch-all provision was presumably included for a reason, to include other malt or Venice beverages.

That's always true --

JUSTICE BREYER: Sometimes. Sometimes yes, sometimes no.

MR. SHANMUGAM: -- with a catch-all provision. That would have been true of the catch-all provision in Seatrain Lines, the catch-all provision in Paroline. And yet these cases consistently make clear that these sorts of catch-all provisions identify a key characteristic that the preceding provisions should be understood to share.

And we know from the legislative history that that was the better view of Congress's intent here.

And while Respondents have this very convoluted explanation of the evolution of the statutory language, the one thing they can't point to is any legislative history that construes the final version of the AIA in the way that they suggest.

Now, I want to say just a word about this contrary argument about on sale which really relies on interpreting on sale in vacuo.

I made the point in my opening argument that there are no cases of this Court

that would come out differently under our interpretation. I did not hear Respondents to suggest differently.

And, Justice Kagan, to the extent that you asked a question along these lines about, well, can we put together Pfaff and these Federal Circuit cases and get enough to get to some notion of ratification, our interpretation retains Pfaff. It retains both the holding of Pfaff, because I think that that was a case where there was availability to the public.

It was a somewhat unusual product because it was a custom-made product. And so I think Texas Instruments really was the sum total of the relevant public, but I think the outcome would be the same.

And our whole point about why Congress used this final formulation, to respond to Justice Kavanaugh's questions on this point, was to retain the existing jurisprudence surrounding the bars.

And, in particular, with regard to Pfaff, Pfaff, as the Court will be aware, articulated the ready for patenting requirement. That is a requirement in our view

that very much would continue to have force. The experimental use exception to which Mr. Stewart referred would also continue to have force.

And that explains, I think, even the legislative history, the little bit of legislative history to which Respondents point, and in particular Representative Lofgren's statement, because by retaining those phrases, while adding the catch-all provision, Congress made clear that that jurisprudence should be retained.

The judgment of the Federal Circuit should be reversed. Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

The case is submitted. I am sure we'll come up with an excellent opinion.

(Laughter.)

(Whereupon, at 11:59 a.m., the case was submitted.)

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