THE MEDICINES CO. v. HOSPIRA, INC., Appeal No. 14-1469 (Fed. Cir. Feb. 6, 2018). Before Dyk, Wallach, and Hughes. Appealed from D. Del. (Judge Andrews). (§102(b) On-Sale Bar)

Background:

This case is on appeal following remand from the en banc Federal Circuit in *The Medicines Co. v. Hospira, Inc.*, 827 F.3d 1363 (Fed. Cir. 2016). In the previous en banc appeal, it was found that a contract for manufacturing services only is not sufficient to trigger the on-sale bar under §102(b). At issue in the present appeal is whether a distribution agreement between The Medicines Co. ("MedCo") and its distributor (ICS) is sufficient to trigger the on-sale bar.

The district court found that the distribution agreement was only an agreement for ICS to be a distributor of MedCo's product, and was not an offer to sell the product. Thus, there was no offer to sell that would trigger the on-sale bar.

Issue/Holding:

Did the district court err in holding that the distribution agreement was not an offer for sale? Yes, reversed and remanded.

Discussion:

When analyzing the distribution agreement, the Federal Circuit found that MedCo entered into an agreement to sell its product. The distribution agreement included statements that MedCo desired to sell its product and that ICS agreed to purchase the product. The agreement also included prices, a purchase schedule, and an agreement for the passage of title in the product from MedCo to ICS.

MedCo argued that the agreement was not an offer for sale because under the terms of the agreement, it could reject all purchase orders from ICS. The Federal Circuit disagreed.

The Federal Circuit first relied upon the UCC's description of a "sale" as "the passage of title from the seller to the buyer for a price." Here, the distribution agreement contained both an agreement for the passage of title and a price of the product.

Next, the distribution agreement required MedCo to use "commercially reasonable efforts" to fill the purchase orders. Thus, MedCo did not have the ability to reject all purchase orders. Rather, MedCo was required to fill the purchase orders unless it was commercially unreasonable to do so. Thus, the distribution agreement was not an optional sales arrangement.

Finally, the Federal Circuit found that, as a practical matter, MedCo was unlikely to reject all purchase orders because the distribution agreement was an exclusive distribution agreement, and the product accounted for about 90% of MedCo's revenue. The Federal Circuit also compared the distribution agreement to other agreements that were held to be an offer for sale, and noted that the present agreement contained more details surrounding the sale than the other agreements.

However, because the district court found that the distribution agreement was not an offer for sale, it never reached the question of whether the distribution agreement covered the patented invention. Thus, the case was remanded back to the district court to consider this issue.