SUNOCO PARTNERS MARKETING & TERMINALS L.P. v. U.S. VENTURE, INC., Appeal No. 2020-1641 (Fed. Cir. April 29, 2022). Before Prost, Reyna, and Stoll. Appealed from N.D. Ill. (Judge Pallmeyer).

Background:

Sunoco sued Venture for infringement of its patents directed to a butane-blending system, and Venture counterclaimed that the asserted patents are invalid under the on-sale bar. An on-sale bar defense requires a showing that the claimed system was both (1) "the subject of a commercial offer for sale" and (2) "ready for patenting" before the critical date. However, an on-sale bar can be negated if the sale qualifies as experimental use.

In this case, the inventors' company offered to sell the butane-blending system to Equilon prior to the critical date in exchange for Equilon agreeing to purchase a certain amount of butane from the company at set prices over about five years. Sunoco argued that the on-sale bar did not apply because the sale occurred primarily for experimentation purposes, rather than as a commercial offer for sale. The district court agreed with Sunoco, and rejected Venture's on-sale bar defense, finding the patent claims valid and infringed. Venture appealed.

Issue/Holding:

Did the district court err in rejecting Venture's on-sale bar defense? Yes, vacated and remanded.

Discussion:

The Federal Circuit held that the district court erred in finding that the offer for sale was primarily for experimentation purposes. According to the panel, the agreement did not mention an experimental purpose, but instead explicitly described the transaction as a sale of already "developed" technology in exchange for Equilon agreeing to purchase butane.

The district court found that the agreement was not a commercial offer for sale because it did not require Equilon to pay anything in exchange for the system. The district court's basis for this finding was that the contract included two distinct sections: a first section for the installation of the butane-blending system, and a second section that was a "butane supply agreement." The Federal Circuit rejected this argument, finding that the agreement intertwined the sale of the equipment with the butane supply agreement. Indeed, the agreement expressly provided for the transfer of ownership and title to the equipment "in consideration for the purchase and sale of Butane."

The Federal Circuit also disagreed with the district court's finding that the pre-installation and post-installation testing provisions in the agreement reflected the inventors' need to experiment. Instead, the testing provisions merely reflected that the sale was conditioned upon testing to ensure satisfactory operation, as opposed to the sale occurring to effectuate experimental testing. Thus, the panel held that the testing provisions were insufficient to show a primarily experimental purpose.

The Federal Circuit concluded that the agreement was a commercial offer for sale, but remanded the case for the district court to determine whether the system sold under the agreement was ready for patenting under the second prong of the on-sale bar.