KEAN MILLER
FROM MAIN STREET TO WALL STREET
KEAN, MILLER, HAWTHORNE, D'ARMOND, McCOWAN & JARMAN, LLP

BUSINESS NOTES
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HAVE YOU JEOPARDIZED YOUR PATENT RIGHTS?

It is not uncommon for an inventor to have jeopardized his or her patent rights before meeting with a patent attorney. For example, inventor Judy conceives a new and improved mousetrap that will revolutionize the mouse catching business. Judy reduces her concept to practice by building a working prototype. Judy brings her prototype to the 75th Annual International Mousetrap Convention and sets up a booth where she displays her improved mousetrap. Judy, being strapped for cash and thus having put off meeting with a patent attorney, decides to set a price for her mousetraps and offers them for future sale at the convention. Any orders she receives for future sales will be used by her to raise capital for manufacturing her improved mousetraps. Judy is too busy at this point to meet with a patent attorney since she is now focused on raising capital to build a small manufacturing facility. Judy, with her plant just coming on-line, decides to meet with a patent attorney - thirteen months after she offered her mousetrap for future sale at the annual mousetrap convention.

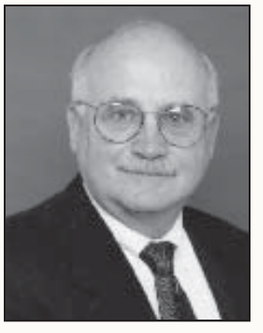
The above scenario presents several statutory bar problems for Judy. That is, Judy can be barred from filing for patent protection in both US and foreign jurisdictions. Statutory bars are an area of key importance to all businesses. United States patent law grants to inventors a grace period of one year in which to file a patent application after the date of public disclosure, public use or offer for sale. This grace period is not provided by foreign countries, thus for businesses that need foreign patents, it is imperative that the patent application be on file before any public disclosure, use, sale or offer for sale.

The law defining "on-sale" is complex and frequently litigated. The best legal advice for any business is to avoid this hotbed of complexity by planning for and actually filing patent applications before any possible on-sale or public use date.

After one year has elapsed, and if a patent application has not been filed, the invention is dedicated to the public and a patent can never be obtained. The start of the one-year period is determined by the on-sale, offer of sale, and public use considerations. Many issued patents are invalidated by courts for violating this one-year rule. Although Judy did not have an actual sale prior to meeting with her patent attorney, she did offer her mousetrap for sale thirteen months prior to her meeting with her patent attorney.

The statutory bar with respect to public use is also an important consideration. Businesses often believe that if an idea is still experimental, it is exempt because there is no public use. The Federal Circuit has clearly stated that experimental use is not an exception but is one of many factors to be considered in determining whether an on-sale or public use has occurred.

Bottom line - meet with a patent attorney soon after the conception of your invention to assure that all of your patent rights are protected.



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WHEN IS A BANKRUPTCY AUCTION FINAL?

Several of our clients have been disappointed after making the highest bid at a bankruptcy auction just to be told later that a higher bid was accepted after the auction was over. With the fallout of the *LaSalle* case, bankruptcy court auctions are on the rise. The bankruptcy judge has a mandate through the use of 11 U.S.C. §363 or in connection with a plan to create a sale process that obtains the "highest and best" offer for assets of the bankruptcy estate. That goal is balanced by finality and integrity of the auction process.

Purchasers at a bankruptcy auction must look to the approved procedures for some degree of certainty that they will obtain clear title to the assets without fear of having the transaction reversed or subjected to subsequent over bids. Recently, the Seventh Circuit in *Corporate Assets, Inc. v. Paloian*, 386 F.3d 761 (7th Cir. 2004) upheld a bankruptcy court's decision to reopen an auction to allow a losing bidder to increase its offer to top the highest bidder after the conclusion of the auction. In this case, the bankruptcy court set up procedures whereby written bids were accepted in advance of an auction with an executed Asset Purchase Agreement and a demonstration of financial capability to close the sale. The auction amounted to the announcement of the highest written bid from a qualified bidder. The court found that the auction sale was not final until approved by the court. It held that the debtor's acceptance of the high bid ultimately did not bind the debtor who retained the ability to continue to seek a higher bid until the court approved the sale. After the auction, a higher bid was approved by the court.

If you choose to bid for assets at a bankruptcy auction, you must make certain that the approved bidding procedures will produce a final result without providing the debtor the ability to shop the highest bids after the auction. Otherwise, you can spend valuable time and money with no certainty that your bid, even if originally the highest bid, will ultimately be accepted and approved by the court.

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