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Federal Circuit Patent Bulletin: *Delano Farms Co. v. Cal. Table Grape Comm'n*

January 9, 2015

"An agreement of confidentiality, or circumstances creating a similar expectation of secrecy, may negate a public use where there is not commercial exploitation."

On January 9, 2015, in *Delano Farms Co. v. Cal. Table Grape Comm'n*, the U.S. Court of Appeals for the Federal Circuit (Prost, Bryson,* Hughes) affirmed the district court's judgment that U.S. Patents No. PP16,229 and No. PP16,284, which related to the table grape varieties Scarlet Royal and Autumn King, were not invalid under 35 U.S.C. § 102(b). The Federal Circuit stated:

An applicant may not be granted a patent for an invention that was "in public use . . . in this country, more than one year prior to the date of the application for patent in the United States." . . . "The proper test for the public use prong of the section 102(b) statutory bar is whether the purported use was accessible to the public or was commercially exploited." . . . The principal policy underlying the statutory bar is to prevent "the removal, from the public domain, of inventions that the public reasonably has come to believe are freely available." The question in a case such as this one is thus whether the actions taken by the inventor (or, as in this case, a third party) create a reasonable belief as to the invention's public availability.

Factors that we have previously identified as being helpful in analyzing that question include "the nature of the activity that occurred in public; the public access to and knowledge of the public

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use; [and] whether there was any confidentiality obligation imposed on persons who observed the use." The last factor captures "the commonsense notion that whether an invention is 'accessible to the public' . . . depends, at least in part, on the degree of confidentiality surrounding its use: '[A]n agreement of confidentiality, or circumstances creating a similar expectation of secrecy, may negate a public use where there is not commercial exploitation.'"

The analysis is similar when the allegedly public use is performed by an unaffiliated third party rather than the inventor. "Third party prior use accessible to the public is a section 102(b) bar." In order to be invalidating, such use must still be publicly accessible; "secret or confidential third-party uses do not invalidate later-filed patents." The adequacy of any confidentiality guarantees are measured in relation "to the party in control of the allegedly invalidating prior use." The actions of an unaffiliated third party acting in secret are evaluated as if he stood in the place of the inventor. . . .

Although the inventor of the plant varieties in this case did not give or sell the invention to anyone, Jim Ludy obtained control over the unreleased varieties. The appellants argue that for purposes of the public use doctrine, Jim Ludy therefore stands in place of the inventor. They contend that if Jim Ludy gave Larry Ludy the unreleased plant material "without limitation or restriction, or injunction of secrecy," Larry Ludy's subsequent cultivation of the plants would be an invalidating public use of the inventions.

The problem with the appellants' argument is that it is squarely contrary to the district court's findings of fact. Larry Ludy was present during and participated in Jim Ludy's conversation with Mr. Klassen and knew that Mr. Klassen did not have the authority to provide the Ludys with unreleased varieties. When Jim Ludy gave Larry Ludy the plants, Jim Ludy explicitly told his cousin to "keep [knowledge of the plants] to ourselves" and expected the fact of their possession of the plants to remain private. After the critical date, Larry Ludy allowed Mr. Sandrini to sell the fruit of the unreleased vines under a different name to avoid detection. Moreover, during a deposition in this case, Larry Ludy refused to identify Mr. Klassen as the source of the Ludys' unreleased plants; he acknowledged at that time that the information "should be confidential and not out in the public domain." The findings of the district court clearly establish, therefore, that both Ludys knew that they were not authorized to have the plants and that they needed to conceal their possession of the plants. . . .

To the extent that the appellants' argument as to Larry Ludy is based on the lack of an explicit confidentiality agreement between the cousins, "[w]e have never required a formal confidentiality agreement to show non-public use." Instead, we evaluate whether there were "circumstances creating a similar expectation of secrecy." . . . The circumstances under which the disclosure to Mr. Sandrini occurred weigh against the

application of the public use bar. . . . In this case, the district court found that Mr. Sandrini was a friend, business partner, and mentor of the Ludys. The court also found that "[e]ach [of the Ludys and Mr.Sandrini] had incentives to keep the Ludys' possession secret, creating an environment of confidentiality, [and] [e]ach maintained tight control over who knew about the Scarlet Royal and Autumn King vines and their use." We have no reason to overturn these findings. Based on the district court's findings and our case law, the Ludys' disclosure to Mr. Sandrini that they were in possession of the unreleased plants does not qualify as an invalidating public use of the patented plant varieties.

Finally, the appellants argue that the lack of secrecy with which the Ludys cultivated the unreleased varieties mandates a finding of public use. The appellants are correct that the district court found that both Ludys grafted the plants and grew them in locations that were visible from public roads. However, the appellants ignore the district court's finding that grape varieties cannot be reliably identified simply by viewing the growing vines alone. The plantings of the unreleased varieties were extremely limited in comparison to the total cultivation of the Ludys' farms. The unreleased varieties were not labeled in any way, and the appellants introduced no evidence that any person other than the Ludys and Mr.Sandrini had ever recognized the unreleased varieties.