

Questionnaire February 2014
Special Committee Q228 - Patents
on Prior User Rights

Introduction

1. A prior user right is the right of a third party to continue the use of an invention where that use began before a patent application was filed for the same invention.
2. Prior user rights are provided for by the different national legislations and such provisions in national legislation only have national effect. Most if not all national legislations provide for prior user rights and defenses. National provisions on prior user rights have common ground, but also have differences in the conditions under which they may be acquired.
3. The main purpose of prior user rights is to strike a balance between the effects of the first-to-file principle on the one hand and third party considerations on the other.

Previous work of AIPPI

4. The issue of prior user rights has already been studied in Q89D, Prior Use (Amsterdam ExCo of 1989), which is part of the series of resolutions related to a draft Patent Law Treaty concerning the harmonization of substantive provisions of Patent Law (the draft never became final). In Q89D AIPPI resolved that the Treaty should contain a mandatory prior use right as set forth in the following provision:

Privilege of prior use

(1) (a) Subject to subparagraph (b), the owner of a patent shall not enjoy, under that patent, rights against activities within the scope of the patent, not authorized by him, of a person (the prior user) who, at the date of the filing of the application, or where priority is claimed, at the priority date of the application on which the patent is granted, and with a view to industrial or commercial exploitation,

(i) was actually engaged in such activities, or

(ii) was engaged in serious preparations, involving, from the viewpoint of the prior user, significant investment, for such activities,

in the territory and any other place or space to which the sovereignty of the Contracting State extends and in or for which State the patent is granted.

It is understood that the expression „industrial or commercial exploita-

tion“ comprises every form of exploitation for useful or economic purposes.

(b) Where the prior user engaged in activities or preparations therefore, obtained knowledge of the invention protected by the patent from or in consequence of acts performed by the owner of the patent or his predecessor in title, subparagraph (a) shall not apply in respect of the said activities.

(2) Paragraph (1) shall not apply to a successor in title of the prior user unless that successor in title is the owner of the enterprise or business, or that part of the enterprise or business, in which the prior user engaged in the activities or preparations referred to in paragraph (1) (a).

5. Q170, Substantive Patent Law Treaty (Lucerne ExCo of 2003), re-addressed the issue of prior user rights, but made full reference to Q89D.
6. In addition, as a partly related topic, AIPPI has studied grace periods for patents on four prior occasions: Q75, Prior disclosure and prior use of the invention by the inventor (Buenos Aires Congress of 1980, Moscow ExCo of 1982); as part of Q170, Substantive Patent Law Treaty (Lucerne ExCo of 2003); and in Q233, Grace period for patents (Helsinki ExCo of 2013).
7. The passage of time and changes in relevant national laws make this topic ripe for reconsideration at this time, in particular:
 - a) the passage of the AIA in the United States, representing an important move by the US towards global patent harmonization in many respects; specifically, the AIA expands the defense beyond just business methods to cover all technologies.
 - b) the perceived change of view of national groups on this issue;
 - c) the work of the “Tegernsee Group”, attended by heads of offices and representatives from Denmark, France, Germany, Japan, the UK, the USA and the EPO, which identified prior user rights as one of four topics being key to harmonization.

Tegernsee Group

8. During the second meeting of the “Tegernsee Group,” attended by heads of offices and representatives from Denmark, France, Germany, Japan, the UK, the USA and the EPO in April, 2011, prior user rights was one of four topics identified as being key to harmonization (along with the grace period, 18-month publication, and the treatment of conflicting applications). The Tegernsee Heads mandated the Tegernsee experts group to prepare reports on each of these topics. The report on the grace period was published on September 24, 2012, and is available on the EPO website. The third meeting of the Tegernsee Group took place on October 4, 2012, during which it was agreed that the next step in the process would be to conduct broad surveys

of stakeholders in each region. In September 2013, at its fourth meeting, the Tegernsee Group approved the Reports on the Tegernsee User Consultation drawn up by the individual delegations. The Tegernsee Experts Group has been mandated to conduct a joint factual summary analysing the results of the individual office reports including commonalities and differences in user views and to present the summary for approval to the next meeting of the Tegernsee Heads, to be called in the spring of 2014 in Europe.

Discussion

9. A first-to-file system (or first-inventor-to-file system) rewards an inventor who is first to file a patent application for his invention with the grant of an exclusionary right for a limited period of time. The current question involves whether this exclusionary effect has to be diluted – to a certain extent – to accommodate interests of third parties who may have already used the same invention earlier, but without filing a patent application. In this respect, various fundamental considerations of patent law need to be taken into account.
10. On the one hand, there seems to be a broad consensus that patents should have no “retroactive effect”, *i.e.*, any activity practiced before the filing date should by no means become illegitimate due to a later patent filing. It needs to be considered that there is no statutory duty to apply for patent protection. From an economic perspective, investments on the use of an invention should not be frustrated by later protective rights. Thus, there must be a legal mechanism that allows for legitimate, continued use of an invention in this case. The concept of prior user rights generally seems to fulfill this purpose.
11. On the other hand, the interests of the patent owner must also be taken into account. Prior user rights have to be regarded as a limitation on the exclusive right that is granted to the patent holder, *i.e.*, the exclusive right to exploit the patented invention and to authorize another to do so. It seems to be important that the exclusionary right of the patent holder not to be excessively limited by prior user rights; in particular, the nature and extent of the “use” of the claimed invention which occurred prior to filing must be weighed against the public disclosure of the invention by the patentee. Otherwise, the essential principles of patent law, *i.e.*, to encourage investment in innovation and, through the publication of patent applications, to disseminate information on the basis of which others may further innovate or compete, could be compromised. In addition, the requirements for a prior user right must comply with the general need for legal certainty so far as the scope of protection provided by a patent is concerned. It must be ensured that the instrument of prior user rights is not used as an abusive defense against patent infringement. Therefore, it seems desirable that the availability of prior user rights is tied to a certain extent to actions of the prior user that go beyond a purely mental conception of the inventive idea.

12. When balancing these interests, a number of detailed questions need to be addressed. One major issue for consideration seems to be the definition of “use” in relation to prior user rights. Is it necessary that a real, present and practical exploitation of the invention must have taken place to establish a prior user right (as in Denmark) or is it sufficient that a sort of intellectual possession of the invention has been created to recognize a prior user right (as in France)? Depending on the definition, it is easier or more difficult to rely on and to prove a prior user right in infringement proceedings.
13. A further area of discussion is the scope of a prior user right. Based on the fundamental principle that a patent shall not have a “retroactive effect” (as explained above), it seems evident that the prior user should be at least allowed to continue its prior use to the exact extent as it occurred before the filing date. Should, however, the owner of a prior user right also be entitled to adjust or alter the embodiment of the prior use in a way that would fall within the patent’s scope of protection?
14. Another issue for consideration is the critical date of use. When must the invention have been used to establish a prior user right? For example, under US law, the prior use must have occurred at least one year before either the effective filing date of the claimed invention or the date of a qualifying grace period disclosure. In DK, DE, FR, UK and JP it is sufficient that the activity giving rise to the defense of prior use must have occurred prior to the filing or priority date. It is obvious that there is a serious time difference between these two regimes.
15. A further issue of significance is the possibility of transferring a prior user right to third parties. On the one hand it is clear that the transfer of a prior user right cannot be allowed without any restrictions. The rights of the patent holder would otherwise be severely limited, for example, if a third party could obtain a license to a prior user right in order to avoid patent infringement. In this respect, it is therefore important to discuss the conditions under which a transfer of a prior user right is allowed. In this context it should also be analyzed whether there are specific requirements under which a prior user right can be used and transferred within a corporate group.

Questions

I. Analysis of current law and case law

Groups are invited to answer the following questions under their national laws:

1. Is there a provision in your national patent law that makes an exception to the exclusive right of a patent holder for parties who have used the invention before the filing/priority date of the patent (“prior user rights”)?
2. How frequently are prior user rights used in your country? Is there empirical data on how often prior user rights are asserted as a defense in negotiations or court proceedings?
3. To what degree must someone claiming a prior user right have developed the embodiment which is asserted as having been used prior to the filing/priority date of the patent? Is it sufficient to have conceived of the embodiment, or must it have been reduced to practice or commercialized?
4. Does it make a difference in your country if
 - the prior use occurred before the priority date; or
 - it occurred after the priority date, but before the filing date?
5. Is there a territorial limitation with regard to the scope of prior user rights in your country? In other words, if a party has used the patented invention before the filing/priority date in a foreign country, can it then claim a prior user right in your country?
6. Is there a provision that excludes prior user rights for those who have derived their knowledge of the invention from the patent holder and/or the inventor?
7. Is it necessary that the prior user has acted in good faith to be granted a prior user right?
8. Is there a material limitation with regard to prior user rights in your country? More specifically, if someone has used an embodiment of a patented invention before the filing/priority date of the patent, can he then claim a prior user right to anything covered by the patent? In particular, is the owner of a prior user right entitled to alter/change the embodiment of the patented invention used before the filing/priority date of the patent to other embodiments that would also fall within the patent’s scope of protection or is he strictly limited to the concrete use enacted or prepared before the patent’s application or priority date? In the event that changes/alterations are permitted by your national law, to what degree?
9. Does a prior user right in your country require the continued use (or the necessary preparations of the use) of the invention claimed by the patent at the

moment in which the objection of the prior user right is asserted or is it sufficient if the invention claimed by the patent has been used before the priority/filing date of the patent but has been abandoned at a later stage?

10. Is a prior user right transferable and/or licensable in your country? If yes, under what circumstances?
11. Does your national law provide any exceptions or special provisions with regard to a prior user right owned by a company within a corporate group? In particular, can a prior user right be transferred or licensed to another group company?
12. Are there any exceptions for any specific fields of technology or types of entity with regard to prior user rights in your country?
13. The Groups are invited to explain any further requirements placed on prior user rights by their national law.

II. Policy considerations and proposals for improvements to your current system

14. Should a prior user right exist in any legal system? If yes, what is the main legal justification for a prior user right?
15. What is the perceived value of prior user rights in your country?
16. Are there certain aspects that should be altered or changed with regard to the existing implementation of the prior user right in your country? In particular, are there certain measures or ways that could lead to an improvement and/or strengthening of your current system?

III. Proposals for harmonization

Groups are invited to put forward proposals for the adoption of harmonized rules in relation to prior user rights. More specifically, the Groups are invited to answer the following questions:

17. Is harmonization of “prior user rights” desirable?
18. What should be the standard definition of “use” in relation to prior user rights? Must the use be commercial?
19. What should be the definition of “date” (or “critical date”) for prior user rights? (*i.e.* when must the invention have been used to establish a prior user right?)
20. Should a prior user right persist in the event that the use and/or preparation for use of the invention has already been abandoned at the time of the patent application/priority date or should the prior user right lapse upon the termination of the use and/or preparation of use?
21. What should be the territorial scope of a prior user right? In particular, if a

party has used the patented invention before the decisive date in a foreign country, should it then be entitled to claim a prior user right?

22. Should there be a provision that excludes prior user rights for those who have derived their knowledge of the invention from the patent holder and/or the inventor? If yes, should it be necessary that the prior user has acted in good faith to be granted a prior user right?
23. Should there be material limitation with regard to prior use rights? In particular, if someone has used an embodiment of a patented invention before the filing/priority date of the patent, should he then be entitled to claim a prior user right to anything covered by the patent?
24. Should a prior user right be transferable and/ or licensable?
25. Should there be any exceptions for any specific fields of technology or types of entity with regard to prior user rights?
26. The Groups are also invited to present all other suggestions which may appear in the context of the possible international harmonization of "prior user rights".

Procedure

It would be most helpful if the National Groups would fill out the Questionnaire and send in their answers to the General Secretariat of AIPPI by April 30, 2014 to:

f.martin@aippi.org.

For inquiries, please contact the Chair of Q228

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