Special Committee Q228 - Patents

National Group:	**AIPPI-US Division**
Title:	**Prior User Rights**
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Questions

I. Analysis of current law and case law

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")?

   RESPONSE: Yes, 35 U.S.C. Section 273, "Defense to infringement based on prior commercial use."

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?

   RESPONSE: Claims of prior user rights are rare, according to a Congressionally mandated study concluded by the U.S. Patent & Trademark Office, with input from the Office of the U.S. Trade Representative, the U.S. Department of Justice, the U.S. Department of State, and comments received from a broad spectrum of industry organizations, universities, bar associations, and individuals.

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?

   RESPONSE: Commercial use, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial

transfer of a useful end result of such commercial use, is required. 35 U.S.C. Sec. 273(a)(1). Additionally, subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, is deemed commercial use during the regulatory review period. 35 U.S.C. Sec. 273(c)(1). Furthermore, use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, is deemed to be a commercial use. 35 U.S.C. Sec. 273(c)(2).

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?

   RESPONSE: Yes. The commercial use must have occurred at least 1 year before the earlier of either – (A) the effective filing date of the claimed invention; or (B) the date of a qualifying non-prejudicial disclosure of the claimed invention. 35 U.S.C. Sec. 273(a)(2).

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?

   RESPONSE: Yes. The commercial use must occur “in the United States.” 35 U.S.C. Sec. 273(a)(1).

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?

   RESPONSE: Yes. Prior user rights may not be claimed if the subject matter on which the claim is based was derived from the patentee or persons in privity with the patentee. 35 U.S.C. Sec. 273(e)(2).

7. Is it necessary that the prior user has acted in good faith to be granted a prior user right?

   RESPONSE: Yes. 35 U.S.C. Sec. 273(a)(1).

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?

RESPONSE: Yes, there is such a material limitation. The prior user right is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a qualifying commercial use occurred, except that the right also extends to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent. 35 U.S.C. Sec. 273(e)(3).

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?

   RESPONSE: The prior user right does not specifically require continued commercial use during the period more than one year before the effective filing date or the date of a qualifying non-prejudicial disclosure of the claimed invention, but a person who has abandoned otherwise qualifying commercial use may not rely on activities performed before the date of such abandonment. 35 U.S.C. Sec. 273(e)(4). United States jurisprudence distinguishes between abandonment and merely discontinuous use in various patent law contexts.

10. Is a prior user right transferable and/or licensable in your country? If yes, under what circumstances?

    RESPONSE: No, except for transfer to the patent owner, or license or assignment or transfer to another person as an ancillary and subordinate part of a good-faith assignment or transfer for other reasons of the entire enterprise or line of business to which the prior user right relates. 35 U.S.C. Sec. 273(e)(1)(B).

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?

RESPONSE: Yes. The prior user right may be asserted by the person who performed or directed the performance of the commercial use, or by an entity that controls, is controlled by, or is under common control with such person. 35 U.S.C. Sec. 273(e)(1)(A).

12. Are there any exceptions for any specific fields of technology or types of entity with regard to prior user rights in your country?

RESPONSE: Yes. The prior user right is unavailable as a defense to infringement of a claimed invention that, at the time the invention was made, was owned or subject to an obligation of assignment to an institution of higher learning or a technology transfer organization whose primary purpose is to facilitate commercialization of technologies developed by one or more institutions of higher learning. 35 U.S.C. Sec. 273(e)(5).

13. The Groups are invited to explain any further requirements placed on prior user rights by their national law.

RESPONSE: None.

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?

RESPONSE: Yes. The prior user right defense acknowledges the fact that inventors may, for a variety of reasons, prefer not to seek patent protection for every innovation. For example, for some types of innovations, or for certain categories of technology or various business/economic reasons, innovators may find trade secret protection more advantageous than pursuing patent protection. In other situations, cost considerations or issues relating to patentability may weigh against seeking patent protection of an invention.

15. What is the perceived value of prior user rights in your country?

RESPONSE: By allowing the earlier user/inventor to continue uninterrupted commercial use of the invention while also allowing the later inventor to obtain a patent enforceable against all others, the prior user right embodies a balance between the equitable economic interests of the earlier user and the larger goal of the patent system in incentivizing the enrichment of the fund of human knowledge. In this way, the prior user right may also contribute to the reduction of patent litigation and related costs.

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?

RESPONSE: Yes. Making the effective filing date of the claimed invention the same as the "critical date" for the establishment of prior user rights, i.e., eliminating the one-year "grace period" from the concept of prior user rights, would improve and/or strengthen the system in the United States. Also, elimination of special exceptions to availability of prior user rights based on types or characteristics of the patent owner may improve and/or strengthen the system. Additionally, these changes may promote harmonization.

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?

    RESPONSE: Yes.

18. What should be the standard definition of "use" in relation to prior user rights? Must the use be commercial?

    RESPONSE: In view of the United States' recent study of the prior user right, and the 2011 enactment of a broadened prior user right as part of the Leahy-Smith America Invents Act, the answer to this Question 18 and the following Questions 19-25 should be as set forth in 35 U.S.C. Section 273, "Defense to infringement based on prior commercial use," as described above. Specifically regarding Question 18, see Response to Question 3 above.

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?)

    RESPONSE: The commercial use must have occurred before the effective filing date of the claimed invention.

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?

    RESPONSE: See Response to Question 9 above.

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?

    RESPONSE: No. See Response to Question 5 above.

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?

    RESPONSE: Yes, and yes. See Responses to Questions 6 and 7 above.

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?

    RESPONSE: See Response to Question 8 above.

24. Should a prior user right be transferable and/ or licensable?

    RESPONSE: See Response to Question 10 above.

25. Should there be any exceptions for any specific fields of technology or types of entity with regard to prior user rights?

    RESPONSE: No.

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.”

    RESPONSE: None.

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