



The Institute of
Patent and Trade Mark
Attorneys of Australia

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Comments on the Study of Prior User Rights
Our Ref: RR18354/09

We refer to the enquiry from the USPTO in relation to gathering information on patent Prior User Rights in other jurisdictions and can provide the following comments made on behalf of the Institute of Patent and Trade Mark Attorneys of Australia (IPTA).

IPTA represents Patent and Trade Mark Attorneys registered in private and corporate practice. Membership of it is voluntary, however over 90% of Patent and Trade Mark Attorneys registered in Australia are members of IPTA. Most of these members are also registered as Patent and Trade Mark Attorneys in New Zealand. It is considered that the views of IPTA are representative of the views of a large proportion of Patent and Trade Mark Attorneys registered in Australia and New Zealand.

Australian Legislation

Australia does have Prior User Rights. Prior User Rights is covered by Section 119 of the Australian Patents Act (1990) and provides for infringement exemptions based on prior use. Section 119 may be paraphrased as follows:

- “(1) *A person may, without infringing a patent, do an act that exploits a product, method or process and would infringe the patent apart from this sub-section, if immediately before the priority date of the relevant claim the person:*
- (a) was exploiting the product, method or process in the patent area;*
or
 - (b) had taken definite steps (contractually or otherwise) to exploit the product, method or process in the patent area.”*

Significantly, this Section was recently amended so as to make it clear that it is prior use in the patent area, that is in Australia, that would lead to infringement exemption. This ensures that a person operating in the jurisdiction of the Australian patent area would not be disadvantaged by the grant of patents in Australia, the majority of which are granted to overseas applicants. As it excludes prior use by a person overseas, it will protect patentees from possible exemption to infringement proceedings based on use that may have occurred in obscure jurisdictions overseas.

Sub-section (2) of Section 119 of the Australian Patents Act specifies that the exemption would not apply if, the person had stopped or abandoned (except temporarily) exploiting the product method or process in the patent area. In other words, there needs to be continuous use (apart from temporary non-use) to take advantage of this exemption.

Sub-Section (3) provides that if the person derived the product, process or method from the patentee or the patentee's predecessor in title to the patented invention, then the infringement exemption will not apply, unless the person derived the product, method or process from information that was made publicly available by or with the consent of the patentee or the patentee's predecessor in title, or through any publication or use of the invention. This again, provides adequate protection for the patentee, as it is only use by a third party that is independent from the patentee, or use derived from material that the patentee has made public, that will qualify for prior use infringement exemption.

Sub-Section (4) provides that it is possible for the person who may have an infringement exemption under this section of the Act to dispose of their entitlement to another person. That is, the person may sell the business, and that person would be protected by the infringement exemption.

This Section provides a benefit to many research based organisations that do not commercialise their own inventions as they can transfer the Prior User Rights to other parties. This provides an incentive for further R&D to take place because the organisation can benefit from its work and hence it is considered that this stimulates innovation. The right however, can only be assigned and not licensed, meaning that the patent holder will only have a single entity as a competitor. The product may be sold by the prior user, and the prior user is not limited to just manufacturing.

Frequency or Regularity of Prior User Rights

Prior User Rights are not utilised or asserted in Australian Courts with any frequency. There has been very little (if any) Australian infringement litigation where Prior User Rights have been asserted as a defence. That being said, it is not uncommon to provide certain advice that a person or company can continue to manufacture a product, or continue using a process or method because they are exempt from infringement because of the Prior User Rights. Further, as the prior user now has the ability to dispose of the Prior User Rights, their interests are protected in that they can sell or transfer the business.

Prior User Rights are seen as an alternative to initiating opposition or revocation proceedings, and this provides a benefit for both the patentee and the general public.

Scope of Protection

Any use is not restricted to non-commercial use. It is not necessary to specify the nature of the use when applying this section, as this may place undue limitation on its scope. The Court will need to determine whether the Section applies in any particular case, and it is appropriate for the Court to determine whether, in all circumstances, a particular use falls within the Prior User Rights Section.

Other Relevant Sections

Secret prior use by a patentee or its predecessor in title may invalidate any granted patent. The patentee cannot have secretly used the product, method or process in the patent area before the priority date in order to maintain a valid patent. This is restricted to secret use within the patent area, that is Australia and Australian Territories.

The Prior User Rights in Australia extends to secret use by a person other than the Patentee or its predecessor. This provides protection to a person who may have been trialling or using various alternatives but only took one to market. This of course provides a balance between the rights of the patentee and those of the third party. The patentee is still able to achieve a valid patent if the secret use of a prior user is not published, but the rights of the secret user are also protected.

Australia also provides a grace period where the use of a potential patent within twelve months of the filing date of a complete patent application may be disregarded for validity purposes.

Summary

Section 119 of the Australian Patents Act (1990) attempts to balance the rights of a patentee and those of a third party who has used or has secretly used an invention before the priority date of any patent. It is felt that the legislation at present is able to stimulate indigenous innovation as well as benefiting consumers in providing increased choice in the market, as it does provide protection to the innovator who had already developed a product, process or material, but had not necessarily made it public.

Enabling the Prior User Rights to be assigned but not licensed will also limit the Prior Use Rights to a single entity and this provides a balance with the patentee's interests in maintaining an exclusive right in the market for the product.

The Prior User Rights is limited to prior use in Australia. The purpose of this is to ensure that Australian firms that have previously developed technology in Australia but have chosen not to publish it or seek patent protection are not disadvantaged by the number of patents that are granted largely to overseas applicants. Prior User Rights anywhere in the world could lead to an obscure use being cited as a defence to infringement and that is considered to be detrimental to encouraging patents to be filed in Australia.

The prior use provisions in Australia include experimental use exemptions, although experimental use is not specifically mentioned in the prior use provisions. A specific experimental use exception to infringement is most likely to be introduced into Australian legislation shortly, and this is seen to complement the current Prior User Rights provisions.

Please let us know if anything further is required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Tadgell', written in a cursive style.

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