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FICPI – Comments on the USPTO Paper: Prior User Rights

FICPI, the International Federation of Intellectual Property Attorneys, broadly representative of the free profession throughout the world, is pleased to have an opportunity to contribute to the International Patent Protection for Small Businesses and Prior User Rights Studies.

FICPI is a proponent of providing prior user rights in a first-to-file system, which our Federation considers essential for providing the appropriate balance between the rights of an inventor and rights of third parties.

Prior user rights were provided for in the 1990 draft harmonization treaty¹, Article 20². The Paris Convention further allows each contracting party to legislate on the rights acquired by third parties before the filing date of a priority application³. TRIPS does not expressly provide for prior user rights. However, Article 30 of TRIPS generally provides exceptions to the exclusive rights conferred by a patent “taking account of the legitimate interests of third parties”⁴.

¹ Document PLT/DC/3 of December 21, 1990, “BASIC PROPOSAL” FOR THE TREATY AND THE REGULATIONS submitted to the DIPLOMATIC CONFERENCE FOR THE CONCLUSION OF A TREATY SUPPLEMENTING THE PARIS CONVENTION AS FAR AS PATENTS ARE CONCERNED, The Hague, June 3 to 28, 1991.

² Article 20, Prior User

(1) [Right of Prior User]

Alternative A

Any Contracting Party may provide that, notwithstanding Article 19,

Alternative B

Notwithstanding Article 19,

a patent shall have no effect against any person (hereinafter referred to as “the prior user”) who, in good faith, for the purposes of his enterprise or business, before the filing date or, where priority is claimed, the priority date of the application on which the patent is granted, and within the territory where the patent produces its effect, was using the invention or was making effective and serious preparations for such use; any such person shall have the right, for the purposes of his enterprise or business, to continue such use or to use the invention as envisaged in such preparations.

(2) [Successor-in-Title of the Prior User] The right of the prior user may only be transferred or devolve together with his enterprise or business, or with that part of his enterprise or business in which the use or preparations for use have been made.

³ Article 4, B. (...) Rights acquired by third parties before the date of the first application that serves as the basis for the right of priority are reserved in accordance with the domestic legislation of each country of the Union.

⁴ Article 30 Exceptions to Rights Conferred

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.



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Concerning the specific questions in the Notice of Public Hearing and Request for Comments on the Study of Prior User Rights (docket No.: PTO–P–2011–0060), FICPI offers the following comments:

1a. Please share your experiences relating to the use of prior user rights in foreign jurisdictions including, but not limited to, members of the European Union and Japan, Canada, and Australia.

In doing so, please include the following:

(a) An identification of the foreign jurisdiction(s);

Answer: Various European countries and Brazil

(b) The frequency or regularity with which prior user rights were utilized or asserted in the particular jurisdiction(s);

Answer: There is little case law on the issue of invoking prior user rights as a defense to infringement. A prior use may be either public or secret. A public prior use by a third party generally renders a patent invalid based on lack of novelty or inventive step, and it is thus more common that the prior user seeks to invalidate a patent based on the public prior use instead of trying to enforce prior user rights. On the other hand, a secret use is less prone to legal action or assertion, in particular since it is difficult for the patentee to gain knowledge of secret activities of an allegedly unauthorized third party.

(c) Whether prior user rights were asserted as a defence by you or your organization;

Answer: In countries where prior user rights provisions exist, FICPI members have been involved in disputes where prior user rights were invoked on behalf of a client as a defense in an infringement action, in combination with allegations of non-infringement and invalidity of the relevant patent. However, in many instances where prior user rights were invoked and adequately proven, the parties settled.

(d) Whether another entity alleged prior user rights as a defence to a patent infringement claim asserted by you or your organization;

Answer: FICPI members have also been involved in such cases.

(e) The technology or industry involved;

Answer: Prior user rights are involved in various technologies or industries, but principally in the use of manufacturing methods or industrial processes in the mechanical,



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chemical and electrical industries, including computer technologies, where there is a likelihood that the use is made secretly (in contrast to the use of a product of manufacture, where the product will more often be available to the public prior to the filing date and therefore give rise to an invalidity defense).

(f) *The operation of the prior user rights regime in the particular jurisdiction(s); and*

Answer: The operation of the prior user rights depends on the jurisdiction. The following is a summary of some of the relevant characteristics of asserting prior user rights in other jurisdictions:

- a) Court proceedings: In certain jurisdictions (e.g. Brazil), a party is entitled either to request a court declaration to the effect that he/she is entitled to prior user rights or to claim such rights as a defense in an infringement action. In other jurisdictions, such as a number of European countries, only the defense in an infringement action is available. In all cases, the prior use must have occurred before the filing date or the priority date if applicable.
- b) Territoriality: In all jurisdictions, prior user rights require that the use by the prior user is in the territory where the patent is in effect. In other words, a party secretly using a process identical to a patented process in country A, prior to the filing or priority date of the patent, can continue using the process in country A. The party will not, however, be entitled to extend the use of the identical process in a country B, where a patent for the process also exists, nor will the party be entitled to export to country B products obtained directly by the identical process. It seems that this territorial approach constitutes a fair balance between patent owner rights and those of third parties, although FICPI has not taken any position on this question.
- c) Definition of “use”: In some jurisdictions (e.g. France), the prior use covers the mere intellectual possession of the same invention, independently from the intention to effectively exploit such invention. In other jurisdictions (e.g. Brazil), the “use” is restricted to an effective industrial use. Other jurisdictions have an in-between approach, where the use is extended to serious and effective preparation to such industrial use. FICPI has not yet developed any position as to which kind of “use” is appropriate under the prior user rights scheme.
- d) Transferability: A traditional approach is that the prior user rights cannot be assigned as such. As an exception to a third party monopoly on an invention, the prior user rights can be transferred only with the business of using the



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invention, or a wider business. This approach appears reasonable, although here again FICPI has not taken any position on this.

(g) *The advantages/disadvantages of the prior user rights regime in the particular jurisdiction(s).*

Answer: As case law or prior decisions on prior user rights is limited, FICPI is not aware of any trend showing that a prior user rights system in a given jurisdiction is better or worse than another.

2. *Please share your experiences in analyzing the effect, if any, of prior user rights on innovation rates in selected countries including, but not limited to, members of the European Union and Japan, Canada, and Australia. Please include empirical and anecdotal data, as well as opinions as to how this analysis may be conducted.*

Answer: Current metrics or studies that would allow linking the existence of prior user rights to “innovation rates” are not known to FICPI. However, again as issues involving prior user rights appear very seldomly, it is presumed that the influence of prior user rights on the pace of innovation is not substantial. The “innovation rates” are mainly influenced by innovation policies in the different countries.

However, in an increasingly global world, the territorial restrictions on the prior user rights prevent a user from expanding the prior use to other territories. This is one of the reasons why, over the last several decades, certain industries have moved from an extensive use of the trade secrets to a policy where more patents are filed for inventions that could otherwise in principle be covered by trade secrets.

3. *Please share your experiences in analyzing the correlation, if any, between prior user rights and start-up enterprises and the ability to attract venture capital to start new companies. Please include empirical and anecdotal data, as well as opinions as to how this analysis may be conducted.*

Answer: For the same reasons as stated in the response to question 2, venture capitalists generally prefer that inventions that could potentially be used secretly are nevertheless covered by patents. Patents are tangible assets, while prior user rights are merely exceptions to third parties assets.



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4. *Please share your experiences in analyzing the effect, if any, of prior user rights on small businesses, universities, and individual inventors. Please include empirical and anecdotal data, as well as opinions as to how this analysis may be conducted.*

Answer: For the same reasons as stated in the response to question 2, the effect of prior user rights presumably is not substantial. The trend to rely on trade secrets and prior user rights might, however, be stronger for certain small businesses for which the cost of patents is an issue. Individual inventors are not practicing entities, so prior user rights will generally be of little use to them. This would be also the case for other non-practicing entities such as universities.

5. *Please share your views, along with any corresponding analysis, as to whether there are any legal or constitutional issues with placing trade secret law in United States patent law.*

Answer: There do not appear to be any significant legal or constitutional issues raised by allowing for prior user rights to the extent that this “places trade secret law in United States patent law”. First, noted above and immediately below, it is commonly accepted in many countries employing a first-to-file system that some type of prior user rights defense should exist to avoid the injustice of an infringement determination against a third party that used the patented invention commercially well before the patent application was filed or the invention was publically disclosed. Legally, this is consistent with the concept in the present first-to-invent system of the U.S. which allows for a prior invention to constitute prior art against a later filed patent application under 35 USC 102(g). Regarding the U.S. Constitution, the primary goal stated therein is to “[secure] for limited times to ...inventors the exclusive right to their respective ... discoveries.” The prior user rights defense carves out a reasonable, limited exception to the exclusive right secured by the inventor-patentee only with respect to a third party that has actually commercially used the claimed invention significantly before the invention was filed as a patent application or disclosed, and only to the extent of that third party’s use, with the inventor-patentee retaining exclusive rights against all others. Consequently, there do not appear to be any significant legal or constitutional issues raised by the adoption of prior user rights under the America Invents Act.

6. *Please share your views, along with any corresponding analysis, as to whether the change to a first-to-file patent system creates any particular need for prior user rights in the United States.*

Answer: In a first-to-invent system, a first inventor having created a new product or process could initiate use of his/her invention and remain unaffected by a patent



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application filed first by a second inventor if he/she was able to prove having invented first. In a first-to-file system, exclusive rights belong to the inventor who files first, independently of the date of invention and independently of who has initiated actual use first, provided that such previous use by one party does not constitute prior art and thus invalidates a later filed patent application by another party. Prior user rights therefore appear to provide a satisfactory balance between patent owners and third parties to the extent that the person who has previously used an invention in a given jurisdiction is entitled to continue this use in said jurisdiction as an exception, while the person who filed first is entitled to obtain a patent which normally be enforceable against all parties except the prior user.

IMPORTANT NOTE:

The views set forth in this paper have been provisionally approved by the Bureau of FICPI and are subject to final approval by the Executive Committee (ExCo). The content of the paper may therefore change following review by the ExCo.