

From: Dan Lang (dlang) <dlang@cisco.com>
Sent: Friday, March 01, 2013 12:40 PM
To: IP Policy
Cc: Gongola, Janet
Subject: Re: Harmonization Issues

For convenience, here is the excerpt in full.

C. Review of Foreign Prior User Rights

Appreciating this potential problem, most countries with first-to-file patent systems have robust protections for prior users, including, for example, Austria, Denmark, Finland, Germany, the United Kingdom, Australia, Japan, and South Korea. Indeed, among European Patent Convention countries, only Cyprus does not have any prior user rights defense. The above countries all have in common at least two basic protections for prior users.

First, foreign patent systems' prior user defenses protect *all* forms of invention, including processes, products, and products of processes, recognizing that the concerns about wasteful filings and the undermining of needed trade secret protection are generally applicable. Furthermore, protecting only processes is insufficient because clever patentees could circumvent prior user protections by including only apparatus claims, thereby depriving prior users of their defense. As these countries recognize, it would be unfair to allow a patentee to attack a practicing company merely by switching the formalities of the claim.

Second, many foreign jurisdictions extend the prior user rights defense not only to products and processes already in commercial use, but also to substantial investments in the development or preparation of those products and processes. For companies that develop and manufacture products, the research, development, and testing process can often take years and costs millions of dollars. In addition, many foreign jurisdictions do not limit prior user rights in time, instead protecting *any* activities that predate the filing of a patent application. A prior user rights defense that does not fully protect this investment has the perverse effect of penalizing American businesses who spend more time and investment in perfecting their products and services for the marketplace.

Third, prior user rights defenses in many foreign countries do not require prior use to have occurred a full year before the relevant priority date, as is required under the America Invents Act. Generally, the defenses in foreign countries protect any private use that took place before the patent application was filed, and in some cases, any acts that took place before the patent was granted. As

drafted, the defense in this country protects only commercial use that “occurred at least 1 year before” the patent was filed.²

As examples of strong prior user rights protections, consider the defenses in three of the U.S.’s most significant economic competitors: the United Kingdom, Germany, and Japan.

United Kingdom: Pursuant to Section 64 of the Patents Act of 1977, a person is not liable for patent infringement if, before the patent is granted, that person either “does in good faith [the patented] act” or “makes in good faith effective and serious preparations to do [the patented] act.”³ This defense protects products as well as patented acts.⁴ Moreover, if the act or preparation was done “in the course of a business,” the prior user right is transferrable along with the business.⁵

Germany: German law similarly protects both actions and preparations, and allows for transference of prior user rights along with a business. Section 12 of the German Patent Act states, in part: “A patent shall not apply to a person who had already been using the invention in Germany, or had made the arrangements necessary for doing so at the time of the filing of the application. . . . This authorization can only be willed or transferred together with the business.”

Japan: Rather than framing it as a defense, Japanese law grants prior users a non-exclusive license to patented technology and extends that protection to preparation as well. Japanese Patent Act, Article 79 states, in part: “A person who . . . made an invention identical to the said invention, or a person who . . . has been working the invention or preparing for the working of the invention in Japan at the time of the filing of the patent application, shall have a non-exclusive license on the patent right, only to the extent of the invention and the purpose of such business worked or prepared.”

These countries have recognized that a prior user rights defense limited to processes only is too easily circumvented and that, without protection for preparation, a prior user rights defense effectively penalizes businesses who spend more time perfecting their products for the marketplace.

It is especially telling that so many foreign countries have strong prior user rights defenses in light of the fact that litigation in many of these countries does not include discovery. For example, in order to bring a claim for infringement in Germany, a plaintiff must already be aware of the allegedly infringing practice, which is unlikely to include private practices protected by trade secret. A plaintiff would simply be unaware of such practices and therefore would not be likely to accuse them of infringement. Counsel from Bardehle Pagenberg in Munich, Germany confirmed that this is in fact the case. Very few German lawsuits

implicate a prior user rights defense precisely because undisclosed, private practices are unlikely to be accused of infringement in the first place. Ilya Kazi of Mathys & Squire suggested the same circumstance may help limit application of this defense in the United Kingdom, as well. This stands in stark contrast to American patent litigation, in which a plaintiff may learn of trade-secret protected actions during discovery and then later accuse such practices of infringement.

With our discovery-based litigation system, a robust prior user rights defense is even more important. Indeed, although it is impossible to know how often a prior user rights defense would be asserted, a recent Lex Machina study determined that it would have been featured in as many as 90 patent infringement cases in the United States between January 1, 2005 and October 15, 2011.⁶ The defense would have been applied against apparatus and method claims, suggesting that protecting only methods would leave legitimate prior users defenseless in many instances. Moreover, the cases were not limited to any specific industry. Rather, this defense might have been asserted against patents involving such industries and technologies as food and beverage manufacturing, banking, communications, pharmaceuticals, security systems, biotechnology, computer hardware and software, transportation, and medical devices.⁷ This suggests that, while a prior user rights defense likely would be asserted in a small percentage of the total number of patent infringement cases, it is still significant enough to have a measurable impact on litigation in many different industries. It will therefore similarly have a measurable impact on how a wide range of companies must operate in this country.⁸ As the study concludes: “The fact that the prior inventorship defense was relied on so heavily (against expectation), and was successful so often, reflects the importance of prior user rights.”⁹

² 35 U.S.C. § 273(a)(2)

³ UK Patents Act, § 64(1)

⁴ *Id.* at § 64(3)

⁵ *Id.* at § 64(2)

⁶ Lex Machina, U.S. Empirical Prior User Rights/Inventorship Study, Nov. 7, 2011, attached as Exhibit A.

⁷ *Id.*

⁸ Notably, only six cases involved university-originated patents, signifying that the university exclusion would have had little, if any, impact on American business.

⁹ *Id.*

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On Feb 28, 2013, at 10:09 PM, Dan Lang <dlang@cisco.com> wrote:

On the issue of Prior User Rights and Harmonization, Cisco Systems, Inc. would like to direct the PTO to its “Written Comment of Cisco Systems, Inc. On Behalf Of The Coalition For Patent Fairness” (Nov. 8, 2011), Section C at pp. 4-7, that were provided in response to the PTO’s “Notice of Public Hearing and Request for Comments on the Study of Prior User Rights” (Docket No.:PTO-P-2011-0060).

Please feel free to contact me with any questions or for further information.

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