

Standing Committee on the Law of Patents

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EXCEPTIONS AND LIMITATIONS TO PATENT RIGHTS: PRIOR USE

Document prepared by the Secretariat

INTRODUCTION

1. At its nineteenth session, held from February 25 to 28, 2013, the Standing Committee on the Law of Patents (SCP) agreed that, in relation to the topic “exceptions and limitations to patent rights”, the Secretariat would prepare, *inter alia*, a document, based on input received from Member States, on how the following five exceptions and limitations were implemented in Member States, without evaluating the effectiveness of those exceptions and limitations: private and/or non-commercial use; experimental use and/or scientific research; preparation of medicines; prior use; use of articles on foreign vessels, aircrafts and land vehicles. The document should also cover practical challenges encountered by Member States in implementing them.
2. Pursuant to the above decision, the Secretariat invited, through Note C.8261, Member States and Regional Patent Offices to submit information to the International Bureau additional to, or updating, the information contained in their responses to the questionnaire on exceptions and limitations to patent rights (hereafter “the questionnaire”) on the above five exceptions and limitations. In addition, Member States and Regional Patent Offices that had not yet submitted their responses to the questionnaire were invited to do so.
3. Accordingly, this document provides information on how prior use exceptions have been implemented in Member States. The document aims at providing a comprehensive and comparative overview of the implementation of a prior use exception under the applicable laws of Member States. Reference is made to the original responses submitted by the Member States and a regional patent office to clarify the scope of the exception in a particular jurisdiction. The questionnaire as well as the responses received from Member States are available in full on the website of the SCP electronic forum at: <http://www.wipo.int/scp/en/exceptions/>. With a view to assisting easier access to the information

contained in the responses, the website presents all responses in a matrix format with hyperlinks to each section in each response.

4. This document consists of three Sections: (i) Public Policy Objectives for Providing the Exception; (ii) The Applicable Law and the Scope of the Exception; and (iii) Implementation Challenges.

5. The following Member States and patent Offices indicated that their applicable laws provided for exceptions and/or limitations related to the prior use exception: Albania, Algeria, Armenia, Australia, Austria, Azerbaijan, Bhutan, Bulgaria, Bosnia and Herzegovina, Brazil, Burkina Faso, Canada, China, Costa Rica, Croatia, Czech Republic, Democratic People's Republic of Korea, Denmark, Dominican Republic, El Salvador, Finland, France, Georgia, Germany, Greece, Hong Kong (China), Hungary, Indonesia, Israel, Italy, Japan, Kenya, Kyrgyzstan, Latvia, Lithuania, Madagascar, Mauritius, Mexico, Morocco, Netherlands, Norway, Oman, Pakistan, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Sao Tome and Principe, Serbia, Slovakia, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Thailand, Turkey, Uganda, Ukraine, United Kingdom, United States of America, Viet Nam, Zambia and the Eurasian Patent Office (EAPO) (69 in total).

PUBLIC POLICY OBJECTIVES FOR PROVIDING THE EXCEPTION

6. In responding to the question on public policy objectives of the exception, some Member States stressed the balancing aspect of the exception. For example, in Canada, the United States of America and the EAPO, such exception was provided in order to “achieve an appropriate balance of rights” between patent holders and prior users, as defined in the applicable laws. Similarly, in China, the purpose of such an exception was “to balance the rights of right holders and the legitimate interests of third parties”. In Spain, the aim of the exception was “to reconcile the interests of the patent owner with those of a prior user acting in good faith.” With this exception, “the prior user is allowed to continue using or working the invention, albeit under more restrictive conditions than if he were the owner of a patent”. In the response from Australia, it was stated that “the grant of a patent should not deprive a party from continuing to do what they were doing before the patent was granted. On the other hand, an inventor should not be deprived of patent protection by the secret acts of third parties, of which they can have no knowledge.” Further, it was stated that Section 119 of the Patents Act 1990 “attempts to provide a balance between the rights of the patentee and those of the third party. It is intended to safeguard the rights of third parties who have independently used an invention before the priority date of an application for a patent”.

7. In addition, noting that Australia has a grace period for prior public disclosure of the invention by the inventor or his/her successors in title, the response explained that “the prior use exception is also seen as an important balancing provision such that a person who relies on an unfettered disclosure remains free to exploit the invention despite the grant of a patent. Subsection 119(3) has the effect of applying the prior use exemption to public disclosures by the patentee or predecessor in title which would be covered by the grace period provisions.” Similarly, the Industrial Property Act of Kenya provided a grace period for disclosure of the invention by the applicant or predecessor in title, and the prior use exception was also seen as a “balancing provision” allowing a person who exploited the invention based on such disclosure to continue exploitation after the grant of a patent.

8. In the response of France, it was stated that “the benefit of the prior personal possession shall prevent any infringement action on the part of the patent owner”. In Brazil, the prior use exception related to the “principle of acquired rights, which aims at avoiding unnecessary burden on good faith users who had been exploiting the invention before the date of deposit or

priority of the patent application". Furthermore, this principle was found in the Brazilian Constitution under Article 5.

9. Many responses to a question on public policy objectives of the prior use exception focused on its economic aspects. Thus, in Germany, the policy objective for the provision of the prior use exception was "to protect the economic status of possession of the prior user. It was intended to prevent the destruction of legitimately created values. Investments in existing facilities are not to be devalued by another person's later patent application." Similarly, the response of Hungary stated that the exception provided "protection of investments that were performed in *bona fide*." In Italy, the relevant exception was provided in order to safeguard the prior user's economic status of possession. It was noted that "it is essential to avoid the legitimately created values are ruined. A later patent application cannot endanger prior user's investments." Likewise, the response of Norway explained that if there were no exception on prior use, "the person who had used the invention secretly would have to stop using it, because the use would be in conflict with the patent right. The prior user's investments would be lost, and this is unfavorable in the light of community economy". Similarly, the response of Sweden stated that the prior use exception was "reasonable" and "provided for economic benefits to the society as a whole". In Romania, the relevant provision was also "intended to protect the investments of a person done in good faith on the territory of Romania and to avoid the abuse of rights".

10. The responses of many Member States on this question explained that the prior use exception as provided under their laws would provide fairness in the system. For example, in the response of Serbia, it was noted that the prior use exceptions, as defined in its law, was "provided for the reasons of fairness and economic security necessary for investment and exploitation of the invention that was made before the filling of the application". In the response of China, it was explained that "such limitation could help avoid unfairness that exists in real life, arising from the fact that the entities or individuals who have invested human and material resources in the creation of the invention are not able to exploit their own intellectual achievements just because they have not filed any patent applications beforehand". The United Kingdom's response also stated that the exception existed to ensure that "the prior users are treated fairly with respect to patent holders". In a similar manner, the public policy objectives for the provision of prior use exception in the Netherlands Patent Act 1995 were, *inter alia*, explained as follows: "whatever the reasons were for the prior user [...] to keep the invention secret (e.g. no interest in a patent, business strategy, etc.), it is considered unfair if the patent holder could maintain his rights against the prior user. Without a "prior use" provision, applying for a patent would be a necessity instead of a free choice."

11. While the response of Mexico underlined that the general legal principle was "first in time, first in right", it was also considered that the prior use exception, as defined in its legislation, sought "to protect users in good faith so that they may continue using their invention, although a third party not involved therein has obtained a patent for the said invention, in order to achieve fairness between two holders of an invention, even though only one of them has patented it". It was further explained that such an exception sought to protect the user in good faith, "provided that such a user may have invested economic, physical and intellectual resources in order to use the invention". The responses of Indonesia, Qatar and Uganda also underlined that the relevant exceptions were intended to provide protection for good faith prior users.

12. Some Member States explained that that principle was a consequence of the first-to-file system. For example, in the response of Japan, it was explained that "if the first-to-file system is strictly applied, it would not necessarily be fair that a party which had been working the same invention prior to the filing of a patent application by another party should be precluded from working the same invention of the patent right, just because the party was slightly behind in filing an application. Therefore, even if such a policy is applied, there remains a need to adjust the interests of the patent owner and any party already working the invention in question prior to

the patent application". Similarly, Switzerland's response stated that "this exception is aimed at limiting the consequences of the first-to-file system by protecting the investments made by the inventor of an unpatented invention that he has been keeping confidential since a date prior to the filing by a third party of an application concerning the same invention". The public policy objective for provision of the prior use exception in the Republic of Korea was also explained as follows "under the first-to-file system, if a holder of a patented invention in good faith is not allowed to work the invention, it could do an unexpected damage to the holder. Therefore, a non-exclusive license based on prior use is included in the first-to-file system to address any deficiencies in formalities. The non-exclusive license based on prior use is recognized to realize the fairness between a patent right holder and a prior user. Also, it would be a disadvantage to a national economy if the business facilities of a prior user are not allowed."

13. In Pakistan, the prior use exception was provided in order to "foster creativity, research and technological development". The Russian Federation's response also stated that the "classical meaning of prior use is to incentivize parallel creativity of persons who, for one reason or another, were unable to patent the results of their technical work at the appropriate time". In addition, it was explained that, in the Russian Federation, the prior use exception was intended to protect the interests of third parties that have already invested capital in production.

14. In the responses of other Member States, the following public policy objectives were indicated: "to limit exclusive right of the owner to forbid use of the invention" by the prior user¹; "not prevent the prior user to make use of his achievement";² "not to make impossible continuing exploitation of a patented invention by a party who has not been aware of the existence of the patent"³; "not to harm persons (inventors) who reached the same invention as described in the patent on their own at an earlier date"⁴; to provide a prior secret user "with a right to continue his prior acts, unaffected by the grant of the patent"⁵; and "to permit another person who independently developed the same invention as the invention protected by patent and started its use prior to filling date of the patented invention to continue its use in the same amount without paying royalty"⁶.

15. The response from Sri Lanka referred to the purposes of the introduction of the Intellectual Property Act in 2003 and stated that they were "the promotion of national creativity, attraction of investment, promotion of trade, protection of consumer interests and integration of the national economy into the knowledge driven global economic environment."

16. Latvia's policy objective for that exception was to harmonize the national Patent Law with the laws of Member States of the European Union. Similarly, in Albania, the objective of the exception was to approximate the national law with the EPC 2000 and EU directives concerning inventions.

THE APPLICABLE LAW AND THE SCOPE OF THE EXCEPTION

17. 69 Member States' applicable laws allow a third party to continue using a patented invention if he had used the invention for the purpose of his business in good faith before the filing date (or the priority date) or had made effective or serious preparations for that purpose.

1 Ukraine
2 Austria
3 Poland
4 Portugal
5 Hong Kong (China)
6 The Republic of Moldova

Nature of the defense

18. In most Member States, the legal effect of patent protection is, *a priori*, “limited” or it is impossible to enforce a patent in case of prior use. For example, following wordings are found in various applicable laws: “patent shall have no effect on persons” which have used the invention prior to the filing date (or priority date)⁷ or may not “be enforced against”⁸ such persons, or “are not opposable”⁹, or “not deemed to be patent right infringement”¹⁰ in the territory of that Member State.

19. In some other Member States, the prior use exception is formulated as a right, providing, for example, “the right, without hindrance and without paying any compensation to the patent owner, to continue independently using the subject matter”¹¹, “the right to further non-compensated use”¹², “the right, in a personal capacity, to work the invention, despite the existence of the patent”¹³, the right to continue the “exploitation” or “manufacture” or “use” and/or “sell” of, or “the prior acts” in relation to, the invention¹⁴. Similarly, the Israel Patent Law states that a prior user is “entitled to exploit” the invention¹⁵. Yet, in the United States of America, the prior user is “entitled to a defense under section 282(b) with respect to a subject matter [...], that would otherwise infringe a claimed invention”.

20. Different from the above approach, in Japan and the Republic of Korea, the use of the patented invention by a prior user is not an exception to the patent rights *stricto sensu*. Their laws provide that such prior users “shall have a non-exclusive license on the patent right” without any remuneration to be paid to the patentee.¹⁶ In addition, while in New Zealand, the applicable law did not provide the prior use exception, the secret use of an invention prior to the grant of a patent may be a ground for revocation of the patent.¹⁷ That is, in that country, while prior secret use is not a defense against infringement, a prior user can initiate proceedings to revoke the patent.

Permissible activities under the exception

21. As to the scope of the activities covered by the prior use exception, the following can be observed.

22. For most Member States, it is sufficient that the person “was using the invention” or “was making effective and serious preparations for such use” before the filing date (or the priority

⁷ See, for example, Article 43 of Law No 9947 of 07/07/2008 of Albania, Section 23 of the Patents Act of Austria, Article 74 of the Patent Law of Bosnia and Herzegovina, Article 64 of the Patent Act of Croatia, Section 27 of the Patent Act of the Czech Republic, Section 12 of the Patent Act of Germany, Article 22(iii) of the Law on Industrial Property of Mexico, and Article 125 of the Law on Intellectual Property 2005 of Viet Nam.

⁸ See, for example, Article 31 of Law No. 20-00 on Industrial Property of the Dominican Republic and Article 55 of Decision 486 of the Commission of the Andean Community.

⁹ Article 104 of the Industrial Property Code of Portugal.

¹⁰ Article 69 of the Patent Law of China.

¹¹ Article 16(1) of the Law on Patent of the Republic of Azerbaijan.

¹² Article 18 of the Law on Inventions, Utility Models and Industrial Designs of Armenia.

¹³ Article L613-7 of the Intellectual Property Code of France.

¹⁴ See, for example, Article 14 of Ordinance No. 03-07 of July 19, 2003 on Patents of Algeria; Article 45 of Law n. 9.279 of 14 May 1996 of Brazil; Article 16.3 of the Patent Law of Costa Rica; Section 4 of the Patents Act of Finland; Section 83 of the Patents Ordinance of Hong Kong (China); Article 116(2) of the Law on Intellectual Property of El Salvador; Section 73 of Republic Act No 8293 of the Philippines; and Article 31 of Ordinance No. 89-019 Establishing Arrangements for the Protection of Industrial Property (of July 31, 1989) of Madagascar.

¹⁵ Section 53 of the Israel Patent Law 5727-1967.

¹⁶ See Article 79 of the Japanese Patent Act and Article 103 of the Patent Act of the Republic of Korea.

¹⁷ Section 41(1)(l) of the Patents Act 1953 of New Zealand.

date).¹⁸ Some applicable laws provide further information on the scope of use by stating, in general, that the following activities are not considered infringement of patent rights, for example, “purchasing, constructing or acquiring the subject matter defined by the claim”¹⁹, “commercially exploiting”²⁰ or “commercial use” of the invention²¹, “possession of the invention which is the subject of the patent”²², “creation and use of a similar solution”²³, “[making] an invention identical to the said invention [...], and working the invention”²⁴, and “exploiting the product, method or process in the patent area”.^{25, 26}

23. The preparatory works for the use of an invention are included in the scope of the prior use exception in the majority, but not all²⁷, of the Member States. The terminology used to describe such works differs, implying consequently the differences in the scope of the exception in various countries. For example, the following wordings are found in various national laws: “necessary preparatory works”,²⁸ “necessary preparations”²⁹, “effective and serious preparations”³⁰, “real and serious preparations”³¹, “considerable and serious preparations”,³²

¹⁸ In the United Kingdom, the phrase “effective and serious preparations”, as provided in Section 64 of the Patents Act, were analyzed by the Court of Appeal in *Lubrizon Corporation v Esso Petroleum Co. Ltd.* [1998] RPC 727. It was held that, two customer trials by the defendant in the UK of small samples imported from the US with a view to possible later manufacture in the UK but with no decision yet made, were held not to be “effective”, although serious, preparations to do an infringing act. The Court of Appeal amplified that it is not “sufficient to show that the serious preparations, if pursued to finality, will have the requisite effect”.

¹⁹ Section 56 of the Patent Act of Canada .

²⁰ Section 4 of the Patents Act of Finland.

²¹ Title 35, Section 273 of the United States Code entitles a third party to a defense under section 282(b) with respect to patented invention if, *inter alia*, “(1) such person, acting in good faith, commercially used the subject matter in the United States, 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”.

²² Article L613-7 of the Intellectual Property Code of France.

²³ Article 14 of the Patent Law of the Kyrgyz Republic.

²⁴ Article 79 of the Japanese Patent Act. Article 2(3) of the Japanese Patent Act defines “working” of an invention as: “(i) in the case of an invention of a product (including a computer program, etc., the same shall apply hereinafter), producing, using, assigning, etc. (assigning and leasing and, in the case where the product is a computer program, etc., including providing through an electric telecommunication line, the same shall apply hereinafter), exporting or importing, or offering for assignment, etc. (including displaying for the purpose of assignment, etc., the same shall apply hereinafter) thereof; (ii) in the case of an invention of a process, the use thereof; and (iii) in the case of an invention of a process for producing a product, in addition to the action as provided in the preceding item, acts of using, assigning, etc., exporting or importing, or offering for assignment, etc. the product produced by the process”.

²⁵ Section 119 of Patents Acts 1990 of Australia. This Section provides further details on what is meant by an “exploitation” of a patented product in relation to prior use exemption. Thus, it defines that the “exploit” includes: “(a) in relation to a product: (i) make, hire, sell or otherwise dispose of the product; and (ii) offer to make, hire, sell or otherwise dispose of the product; and (iii) use or import the product; and (iv) keep the product for the purpose of doing an act described in subparagraph (i), (ii) or (iii); and (b) in relation to a method or process: (i) use the method or process; and (ii) do an act described in subparagraph (a)(i), (ii), (iii) or (iv) with a product resulting from the use of the method or process.”

²⁶ In addition, in the EAPO Member States, the term “use” was defined under “national laws of Contracting States”. For example, in Ukraine, the following is considered to be the use of an invention: “(i) manufacturing a product with the use of a patented invention (utility model), the use of this product, an offer of a product for the market, including an offer via the Internet, selling, import (coming-in) and other its introduction into the commercial circuit as well as storing a product for defined purposes; (ii) the use of a process protected by a patent or an offer of a process for the use in Ukraine, provided that the person offering a process shall know that the use of a process without the permission of the patent owner is prohibited or, considering the circumstances, it is obvious.”

²⁷ See footnote 21.

²⁸ See, for example, Section 23 of the Patents Act of Austria; Article 16(1) of the Law on Patent of the Republic of Azerbaijan; and Article 69 of the Patent Law of China.

²⁹ See, for example, Article 22(iii) of the Law on Industrial Property of Mexico, and Section 22 of the Patent Law of Latvia.

³⁰ See, for example: Section 13(4) of the Industrial Property Act of the Kingdom of Bhutan; Article 31 of the Law No. 20-00 on Industrial Property of the Dominican Republic; Section 83 of Patents Ordinance of Hong Kong (China); Article 29 of the Patent Law of Lithuania; Section 21(4)(e) of the Patents, Industrial Designs and Trademarks Act of Mauritius; Article 55 of Law No. 17-97 on the Protection of Industrial Property of Morocco;

[Footnote continued on next page]

“substantial preparations”³³, “necessary arrangements”³⁴, “actual preparations”³⁵, “preparing for the working of the invention”³⁶, and “required preparation”³⁷ as defined in the applicable laws. In this regard, in Australia, the prior use exception also covered the activity of a person who “had taken definite steps (contractually or otherwise)” to exploit the product, method or process in the patent area.³⁸ In the Netherlands, any party who, *inter alia*, “commenced implementation of his intention to manufacture or apply, in or for his business” is covered by such exception.³⁹

Good faith use

24. Further, many Member States’ applicable laws expressly require that the activity of the prior user has been carried out in “good faith” or “*bona fide*” to fall within the scope of the exception.⁴⁰ The response from Spain explained that good faith was required of the prior user, meaning that “the beneficiary of the right of prior use must be a third party who carried out the same invention as the patent owner prior to the patent owner, with no link or contact with the patent owner and having kept the invention secret. There shall be no good faith where the invention had been misappropriated or knowledge of the [...] inventor had been acquired unfairly.” In the response from Poland, it was stated that “good faith of the user comes from either his developing of the same invention independently of the holder of the patent, or the user’s belief that he can freely use a given technical solution.” The response from the Russian Federation explained that “any use must be *bona fide*, i.e., the person who used the technical solution neither knew, nor should have known, about the essential features of the claimed protected solution.” The Japanese Patent Act also stipulates that a prior user should be the one “without knowledge of the content of an invention claimed in a patent application”.

25. In addition, requiring the independent nature of the prior user’s creativity, the applicable laws of some Member States expressly provide that the exception would not apply if the knowledge about the patented invention was obtained from the applicant or patentee. For example, in the Netherlands, the prior user shall “continue to have the right to perform the acts referred to in art. 53(1) NPA 1995 that right being based on prior use, unless his knowledge was obtained from matter already made or applied by the applicant or from the applicant’s descriptions, drawings or models”. In the United States of America, “A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee”.

26. Further, in Sweden, the prior use exception exists provided “the exploitation did not constitute an evident abuse in relation to the applicant or his predecessor in title.” In Portugal,

[Footnote continued from previous page]

Section 11(4)(a)(iv) of the Industrial Property Law 67/2008 of Oman; and Section 30(5)(d) of the Patents Ordinance of Pakistan.

31 Article 74 of the Patent Law of Bosnia and Herzegovina and Article 64 of the Patent Act of Croatia.

32 Article 31 of the Patent Law of Ukraine.

33 Section 4(1) of the Consolidate Patents Act (Act no. 91 of 28 January 2009) of Denmark, Section 4 of the Patents Act of Finland and Article 71 of the Industrial Property Law of Poland.

34 Section 12 of the Patent Act of Germany.

35 Section 53 of the Israel Patent Law 5727-1967.

36 Article 79 of the Japanese Patent Act.

37 Article 14 of the Patent Law of the Kyrgyz Republic.

38 Section 119 of the Patents Act 1990 of Australia, however, clarifies that the exception would not apply if, before, the priority date, the person: (a) had stopped (except temporarily) exploiting the product, method or process in the patent area; or (b) had abandoned (except temporarily) the steps to exploit the product, method or process in the patent area.

39 Article 55(1) of the Netherlands Patent Act 1995.

40 See, for example: Section 23 of the Patents Act of Austria; Section 13(4) of the Industrial Property Act of the Kingdom of Bhutan; Article 16(1) of the Law on Patent of the Republic of Azerbaijan; Article 74 of the Patent Law of Bosnia and Herzegovina; Article 45 of Law n. 9.279 of Brazil; Article 10 of Decree Law No. (30) for the Year 2006 of Qatar; Article 8.4(d) and 8.5 of Law No. 4/2001 of Sao Tome and Principe; Article 23 of Law on Patents of Serbia; and Article 17(1) of the Patent Act of Slovakia.

it was explained that the exception would not apply “if the knowledge is the result of unlawful or immoral acts against the patentee”.

Prior use exception and grace period

27. In the context of the above, some national laws expressly provided details on the relationship of the prior use exception and the grace period provisions,⁴¹ where they exist. For example, while Subsection 119(3) of Patents Act of Australia provides that the prior use exception “does not apply to a product, method or process the person derived from the patentee or the patentee’s predecessor in title in the patented invention”, the provision, however, further states that the above does not apply in cases where “the person derived the product, method or process from information that was made publicly available: (a) by or with the consent of the patentee or the patentee’s predecessor in title; and (b) through any publication or use of the invention in the prescribed circumstances mentioned in paragraph 24(1)(a)”. That is, in Australia, Subsection 119(3) has the effect of applying the prior use exemption to public disclosures by the patentee or predecessor in title which would be covered by the grace period provisions.

28. Contrary to that approach, Article 45(2) of Law n. 9.279 of Brazil provides that the prior use exception “shall not be assured to a person who gained knowledge of the object of the patent through disclosure, in accordance with Article 12, provided that the application has been filed within 1 (one) year of the disclosure”. Similarly, Section 12 of the Patent Act of Germany provides that “[...] if the applicant or his predecessor in title has, before applying for a patent, disclosed the invention to other persons and reserved his rights in the event of a patent being granted, a person learning of the invention as a result of such disclosure cannot, under the provisions under the first sentence,⁴² invoke measures which he has taken within six months after the disclosure.” Yet, in the United States of America, where a grace period is validly invoked, a defense based on prior commercial use can be asserted, if such use occurred at least one year before the public disclosure is made under the grace period provision.⁴³

Burden of proof

29. Some applicable laws provided clarification on which party has the burden of proof. In the United States of America, “a person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence”. Similarly in Portugal, “the burden of proof lies with the person invoking” the prior use. However, in Slovakia, the burden of proof is alleviated as “in case of doubts, action of a prior user shall be considered acting in good faith unless proved otherwise”. In Hungary, a prior user is considered as a *bona fide* user until it is proved that the prior use was based on the inventive activity that led to the patented product.

Other persons who are entitled to invoke the exception

30. Further details on which persons and/or legal entities can be covered by the prior use exception were provided by the applicable laws of Japan and the Republic of Korea. Those laws stipulated that the scope of the prior use exception extends to the activities of not only

⁴¹ While the scope of the grace period provisions may differ under national/regional laws, in general, such provision allow, in determining novelty, not to take into account the disclosure made by, *inter alia*, the applicant or his predecessor in title, if it occurred within certain period of time before the filing or priority date (generally, six months or one year).

⁴² First sentence of Section 12 of the Patent Act of Germany reads: “(1) A patent shall have no effect against a person who, at the time of the filing of the application, had already begun to use the invention in Germany, or had made the necessary arrangements for so doing.”

⁴³ See paragraph 35 of this document.

persons who, without knowledge of the content of an invention claimed in a patent application, made an invention identical to the said invention, but also of a person who has learned the invention from such a person and has been working the invention or preparing for the working of the invention in those countries at the time of the filing of the patent application. In that regard, the applicable law of the United States of America states: “[a] defense under this section may be asserted only by the person who performed or directed the performance of the commercial use described in subsection (a), or by an entity that controls, is controlled by, or is under common control with such person”.

Extension of the scope of the business

31. The applicable laws of many Member States specify that the scope of the prior use exception does not allow for an extension of the business beyond its scope on the relevant date. For example, in China, the prior use exception allows the continuation of the manufacture of the products or use of the methods “within the original scope”. In Finland, the prior user can continue commercially exploiting the invention “provided that the general nature of such previous exploitation is maintained [...]”. In the Kyrgyz Republic, the prior user has the right to use the patented invention free of charge “without enlarging the scope of such use”. In the Russian Federation, the prior user shall have the right to proceed with his activities “provided that the scope thereof is not extended”. In Vietnam, the prior user may continue using patented invention “within the scope and volume of use”. In Sweden, the prior user may continue exploitation “while retaining its general character”.

32. In this regard, in Brazil, prior users have right to continue the exploitation, “without charge, in the previous form and conditions”. Similarly, in El Salvador, the prior user “shall have the right to continue to manufacture the product or use the process as before”. In Spain, the prior user is permitted to continue to work the invention “in the same manner or according to the preparations which had been undertaken until then or for the form in which preparations had been carried out. However, in both cases, this is restricted to such working having been carried out sufficiently to meet the reasonable needs of the enterprise”. In Sao Tome and Principe, prior user’s actions “should, in their nature or aim, not differ from effective prior use or planned prior use.” Similarly, in Morocco, the rights granted by a patent do not extend to acts performed by the prior user, “provided that such acts do not differ, by their nature or purpose, from effective or expected prior use”.

33. However, in the United States of America, it is specified that “[t]he defense asserted by a person under this section 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 commercial use that qualifies under this section occurred, except that the defense shall also extend 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.” In the United Kingdom, the Court of Appeal ruled on the scope of the prior use exception in that country⁴⁴ and affirmed that the protection afforded by Section 64 of the Patents Act to the prior user is not strictly limited to acts identical to those which were performed before the priority date, but “cannot be a right to manufacture any product, nor a right to expand into other products”. The Court of Appeal upheld the view of the Patents Court that “if the protected act has to be exactly the same (whatever that may mean) as the prior art then the protection given by the section would be illusory. The section is intended to give practical protection to enable a man to continue in substance what he was doing before”.

⁴⁴ *Lubrizol Corporation v Esso Petroleum Co. Ltd.* [1998] RPC 727

Abandonment of prior use

34. In addition, some other limitations are provided to the scope of the exception under some laws. For example, in the United States of America, it is specifically clarified that a defense to infringement based on prior commercial use ceases with abandonment of use by stating that “A person who has abandoned commercial use (that qualifies under this section) of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under this section with respect to actions taken on or after the date of such abandonment.” Similarly in Australia, the prior use exception does not apply if, “before the priority date, the person: (a) had stopped (except temporarily) exploiting the product, method or process in the patent area; or (b) had abandoned (except temporarily) the steps to exploit the product, method or process in the patent area”.

Date for establishing the prior use exception

35. With regard to the date for establishing the prior use exception, some Member States refer to the date of filing, some Member States refer to the priority date, and some Member States refer to both. In the United States of America, a person is entitled to a defense based on prior commercial use if, *inter alia*, “such commercial use occurred at least 1 year before the earlier of either— “(A) the effective filing date of the claimed invention; or “(B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).”⁴⁵ Australian Patents Act provides that the prior use activities, as defined in that law, should take place “immediately before the priority date of the relevant claim”.⁴⁶

Assignment and/or licensing

36. With reference to assignment or licensing of prior user rights, most Member States and the EAPO allow a prior user to assign and/or transfer his prior user’s right to a third party. Some of those Member States expressly stated that the right could only be assigned, but not licensed. However, in Pakistan, prior user’s rights could be licensed and/or assigned.⁴⁷ In the rest of the Member States, the right could be neither assigned nor licensed.⁴⁸

37. In the vast majority of those Member States which allow for assignment and/or licensing and/or transfer of the prior user’s right, the condition is that the right has to be transferred together with the business where such use has been carried out.⁴⁹ In that regard, Section 273 of the United States Code provide “[e]xcept for any transfer to the patent owner, the right to assert a defense under this section shall not be licensed or assigned or transferred to another person except 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 defense relates”. In Brazil, the prior user’s rights “may be assigned only by transfer or leasing, together with the

⁴⁵ Title 35, Section 273 of the United States Code.

⁴⁶ Section 119 of the Patents Act of Australia.

⁴⁷ It was explained in the response to the questionnaire from Pakistan that while Patent Ordinance, 2000 (amended in 2002) does not establish expressly conditions on licensing or assignment of prior user’s rights, the general conditions on the assignment and the licensing of patent rights, provided in Section 55(4) of the Patent Ordinance, could be applied by the prior user.

⁴⁸ These Member States are: Albania, Algeria, Canada, Czech Republic, Democratic People’s Republic of Korea, Madagascar, Mexico and Uganda.

⁴⁹ For example, some of those laws provide that assignment and/or transfer are not allowed except together with “that part of the business”, “the entire enterprise or business to which the defense relates”, “the production unit”, “the enterprise or business practice”, “business where it originated or where the exploitation was intended to take place”, “assignment or transfer of ownership of a company or its part”, “business establishment in which use is made”, “enterprise or its activities or with that part of the enterprise or its activities”, “working process and production plant” or “firm or establishment in which such production or use was being carried out or had been planned”.

business of the undertaking or the part thereof that has direct relation with the exploitation of the subject matter of the patent.” In Romania, while the law allows the transfer of prior user’s rights, such transfer is restricted to the assignment and inheritance. In the Republic of Korea, where prior user has a non-exclusive license on the patent right, such license may not be transferred “without the consent of the patentee”, unless the transfer is made with the underlying business or through inheritance or other general succession. Similarly, in Japan, a non-exclusive license may be transferred only where: (i) the business involving the working of the relevant invention is also transferred; (ii) the consent of the patentee (or, in the case of a non-exclusive license on the exclusive license, the patentee and the exclusive licensee) is obtained; or (iii) the transfer occurs as a result of general succession including inheritance. In addition, for some countries, the transfer is restricted to a transfer “during the user’s lifetime” or “*inter vivos*” or by “hereditary or testamentary” succession together with the enterprise or business.⁵⁰

38. In addition, in the United Kingdom, a distinction is made between the prior user right of an individual, which can be assigned or transmitted on death, and the right of a corporate body which can be transmitted upon the body’s dissolution. In Bulgaria, the prior user’s right may be transferred together with the enterprise in which such rights have arisen and may be exercised, “subject to there being no increase in the volume of such use outside the enterprise”.

Territory in which prior use should take place

39. Many Member States’ applicable laws expressly state that the prior use activities must have been carried out in the territory of those respective countries to be covered by the exception.⁵¹ However, some other Member States’ laws are implicit in that regard and do not make a reference to any country.⁵² In the Philippines, the prior user has the right to continue his use “within the territory where the patent produces its effect”.

Remuneration

40. The vast majority of Member States does not require any remuneration, stating, for example, that the user “retains the right to further non-compensated use” or that the “exception to infringement is absolute and not dependent on the payment of reasonable remuneration”, or “free of charge”⁵³. Some Member States, however, clarified that the principle of non-remuneration applied only “within the existing scale” or without “enlarging the scope” of prior use.^{54, 55}

Prior use after the invalidation or refusal of the patent, but before the restoration or grant of the patent

41. In addition, in some Member States, a prior use exception applies in situations where a third party has been using the patented invention or has made serious preparations for such use after the invalidation or refusal of the patent, but before the restoration or grant of the patent.⁵⁶ Different titles were applied in various jurisdictions to such exception, for example, the

⁵⁰ For example, in the Republic of Moldova and Switzerland.

⁵¹ For example, in Albania, Armenia, Australia, Azerbaijan, Bhutan, Croatia, France, Germany, Hong Kong (China), Japan, Kyrgyz Republic, Netherlands and Spain.

⁵² For example, applicable laws of Canada, China, the Dominican Republic and Italy.

⁵³ See, for example, Armenia, Australia and the Russian Federation.

⁵⁴ See, for example, China and the Kyrgyz Republic.

⁵⁵ In the response of the Netherlands, it was clarified that in accordance with Article 53(6) of the Patent Act, where a third party uses a claimed invention “after the filing or priority date, but before grant of the patent”, “the patentee may demand a reasonable compensation”.

⁵⁶ Member States which expressly provided this type of exception and/or limitation are Armenia, Australia, Austria, Bulgaria, Finland, Georgia, Hungary, Israel, Japan, Latvia, the Netherlands, Norway, Pakistan, Portugal, the Republic of Moldova, Romania, the Russian Federation, Serbia, Slovakia, South Africa, Spain, Sri Lanka, the United Kingdom, Viet Nam and Tajikistan.

right to “subsequent use” or “later use” or “further use” or “interim user”. In many Member States, the applicable laws require that the activity of such a user has been carried out in “good faith” or “*bona fide*” to fall within the scope of the exception.⁵⁷ Further, Members States’ laws differed in details on the situations and timeframe when such exception would apply by providing, for example, “after expiration of the time limit for reinstating a dismissed application or after a rejection has become final or a patent has lapsed but before such announcement is made”⁵⁸ or “If a protective right has been refused, lapsed, expired, or otherwise became ineffective and is reinstated by the grant of reinstatement [...] after the lapse of the protective right and before the day of the official announcement of the grant of reinstatement or not later than on the day of entry of the request in the Register, in all other cases not later than on the day of receipt of the request at the competent authority [...]”⁵⁹ or “from the date of patent revocation [...] until its reistatment”⁶⁰ or “period between a declaration of lapse of patent protection and restoration thereof”⁶¹, “period between the loss of rights or means of redress and the restoration to the prior situation”⁶², or “between the end of the period of six months beginning with the date when the patent concerned ceased to have effect and the date of the application” for restoration is made.⁶³

42. Further details of the scope of such exception were expressly provided in some applicable laws. In Armenia, the Republic of Moldova and the Russian Federation, such use was allowed “without extension of the scope of use”, “within the limits of existing volumes” or “provided that the scope of such use is not expanded”, respectively. In Austria, such person shall be entitled to exploit the subject matter for the requirements of “his own business in his own or in other persons’ workshops”. Similarly, the patent law of Serbia provides that such prior user is entitled to “continue exploiting the invention for production purposes only in his own production plant or in the plant of any other person for his own needs”. In Finland, such a prior user may continue to exploit the invention provided “he maintains the general nature of the exploitation”⁶⁴ and he should have began to exploit an invention “comercially” and “in this country” to invoke the exception. In Romania, such prior user may continue to exploit the invention “to the same extent as on the date of publication of the mention of reestablishment of rights”.

43. In some Member States, the requirement is that such right can be transmitted only together with business by providing, for example, “this title shall be inherited or sold only in connection with the business”⁶⁵, “transfer of this right is permitted only together with the enterprise”⁶⁶, “the right [...] may only be transferred to another person together with the business in which it originated or in which exploitation of the invention was intended”, or “[t]he right to exploit an invention [...] cannot be transferred, devolved or transmitted by inheritance, except together with the business in which that invention was used”.⁶⁷ Different to this approach, in the Russian Federation, the right of subsequent use “may not be transferred to another person together with the enterprise”.

44. Further, some Member States provided different types of relief in situations where a third party had been using the patented invention or had made serious preparations for such use after the invalidation or refusal of the patent, but before the restoration or grant of the patent. For example, in South Africa, a patentee, whose rights were restored, cannot institute any

⁵⁷ See, for example, Armenia, Finland, Georgia, Latvia, Romania, the Slovak Republic, Spain and Sweden.

⁵⁸ Section 71c of the Patents Act of Finland.

⁵⁹ Section 136 of the Patent Act of Austria.

⁶⁰ Article 55 of the Patent Law of Georgia.

⁶¹ Article 21 of Act XXXIII of 1995 of Hungary.

⁶² Article 23(5) of the Netherlands Patent Act of 1995.

⁶³ Section 45(5) of the Patent Ordinance 2000 of Pakistan.

⁶⁴ Similarly, in Sweden, the requirement is that the prior user may continue the exploitation of the invention “while retaining the general character of the exploitation”.

⁶⁵ Section 136 of the Patent Act of Austria.

⁶⁶ Article 53 of the Patent Law of Georgia .

⁶⁷ Section 63 of the Israel Patent Law 5727-1967.

proceedings against or recover damages from any person who “used”⁶⁸ the patented invention “after the lapse of a period of six months from the date on which the renewal fee was due and before the date on which the application for the restoration of the patent was advertised”. In case a third party who, during that period, has expended any money, time or labour with a view to making, using, exercising, offering to dispose of, disposing of or importing the invention, he may apply to the Commissioner “for compensation in respect of the money, time and labour so expended”. While the amount of compensation is not recoverable as a debt or damages, if it is not paid within the time determined by the Commissioner, the patent lapses.

45. In Australia, where an application or patent ceases to have effect in certain circumstances but is restored, for example through the granting of an extension of time, special provisions apply to allow a third party to apply to the Commissioner of Patents for a licence to continue to exploit the invention. The person must show that they took definite steps to avail themselves of or exploit the invention as a result of the ceasing of the application or patent.⁶⁹ In Japan, a non-exclusive license on the patent right is available to a third party in situations where he/she has been, without knowledge, working the invention in Japan or has been making preparations for such use after the invalidation but before the restoration of the patent, as well as where a third party has made such use before invalidated registration of an extension of the duration has been restored.⁷⁰

IMPLEMENTATION CHALLENGES

46. The vast majority of Member States considered the applicable legal framework of the exception adequate to meet the objectives sought⁷¹ and, therefore, no amendments are

⁶⁸ “Used” as provided in Article 48(1) of the Patent Act 57 of 1978 of South Africa.

⁶⁹ See, for example, subsection 223(9) of the Patents Act of Australia. The terms of such a licence are determined by the Commissioner (22.21(5)) taking into account the circumstance but the licence is royalty free (See HRC PROJECT DESIGN PTY LTD v. ORFORD PTY LTD [1997] APO 12.)

⁷⁰ Article 176 of the Japanese Patent Act. In addition, the grant of non-exclusive license is available under Article 79bis (1) of the Japanese Patent Act where a person who has had the patent right, the exclusive license on the patent right, or the non-exclusive license on the patent right or the exclusive license existing at the time of the registration of assignment of the patent right based on the request under Article 74(1) and has been working the invention in Japan in the course of one’s business, or has been making preparations for one’s business, prior to such registration of assignment of the patent right without knowing that the patent falls under the requirements of Article 123(1)(ii) or the requirements of Article 123(1)(vi). Further, according to Article 80(1) of the Japanese Patent Act a person falling under any of the following items, who is doing a business working an invention in Japan or preparing such business, before the registration of a request for a trial for patent invalidation, without knowledge that the patent falls under any of the paragraphs of Article 123(1), shall have a non-exclusive license regarding the invalidated patent right or the exclusive license existing at the time of the invalidation, only to the extent of the invention and the purpose of such business worked or prepared: (i) the original patentee in the case where one of two or more patents granted for the same invention has been invalidated; (ii) the original patentee in the case where, after a patent has been invalidated, a patent is granted to the person who is entitled to obtain a patent for the same invention; and (iii) in the case referred to in items (i) and (ii), a person that, at the time of the registration of the request for a trial for patent invalidation, has an exclusive license regarding the patent right to be invalidated, or a non-exclusive license effective under Article 99(1) regarding the patent right or an exclusive license on the patent right. A similar provision is provided in Article 104(1) of the Patent Act of the Republic of Korea.

⁷¹ Member States and a regional organization which expressly stated that the applicable legal framework of the prior use exception considered adequate to meet the objectives thought are: Algeria, Bosnia and Herzegovina, China, Costa Rica, Czech Republic, Denmark, Hong Kong (China), Hungary, Madagascar, Morocco, Norway, Pakistan, the Republic of Moldova, the Russian Federation, Sao Tome and Principe, United Kingdom and EAPO.

foreseen.⁷² In El Salvador, the law was planned to be revised in the medium term. In New Zealand, the Patents Act was being revised to introduce an explicit prior use provision.⁷³

47. The vast majority of Member States has not encountered any challenges in relation to the practical implementation of this exception in their countries. Only the Russian Federation highlighted the challenges a right holder might face through the public disclosure of his invention before the filing date, but during the grace period. It explained that if a third party had started to use the same invention before the filing date, on the basis of the information disclosed during the grace period, the right holder might have practical difficulties in proving that the said third party was not a legitimate “prior user”. Another issue may arise where a patent applicant who challenges the right of prior use might be affected by any evidence capable of destroying the novelty of his invention.

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⁷² Member States which responded that no amendments to the law foreseen are: Australia, Canada, Dominican Republic, France, Israel, Japan, Latvia, Mexico, Peru, Poland, Portugal, Spain, Sweden, Switzerland and Turkey.

⁷³ The Patent Bill 2008 received Royal assent on September 13, 2013, and became the Patent Act 2013. A prior use exception is regulated under Section 146.