

Under section 119 of the *Patents Act 1990*, a prior use infringement exemption is available to a person, if the person immediately before the priority date of the relevant claim “was exploiting the product, method or process in the patent area, or had taken definite steps (contractually or otherwise) to exploit the product, method or process in the patent area”. A prior use infringement exemption does not arise if, before the priority date, the person had stopped exploiting (unless temporarily) or had abandoned steps (unless temporarily) to exploit the product, method or process.

Section 119 provides a balance between the rights of the patentee and third parties by safeguarding the rights of third parties who have independently used an invention before the priority date of a patent application. 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.

The prior use infringement 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. Australia has a grace period for prior public disclosure of the invention by the inventor or predecessor in title (subsection 24(1)). Subsection 119(3) has the effect of applying the prior use infringement exemption to public disclosures by the patentee or predecessor in title which would be covered by the grace period provisions.

In 2001, the Federal Court of Australia observed that it is not sufficient to say that definite steps to exploit the product had been taken by the infringer if immediately before the priority date, he or she was still evaluating alternatives (*Welcome Real-Time SA vs Catuity Inc* (2001) 113 FCR 110; 51 IPR 327 at [91-97])¹.

The relevant section of the *Patents Act 1990* is copied below.

PATENTS ACT 1990 - SECT 119

119 Infringement exemptions: prior use

(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 subsection, 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.**

Note 1: This section applies in relation to a patent granted as a result of an application filed on or after the commencement of Schedule 6 to the *Intellectual Property Laws Amendment Act 2006* (which repealed and substituted this section).

Note 2: Section 119 of this Act as in force before the commencement of that Schedule continues to apply in relation to patents granted as a result of earlier applications.

(2) Subsection (1) 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.**

¹ Cited from AustLII website (http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/federal_ct/2001/445.html?query=%5E%20welcome%20real%20time)

Limit for product, method or process derived from patentee

- (3) Subsection (1) 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 unless 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) in the prescribed circumstances mentioned in paragraph 24(1)(a).

Exemption for successors in title

- (4) A person (the *disposer*) may dispose of the whole of the disposer's entitlement under subsection (1) to do an act without infringing a patent to another person (the *recipient*). If the disposer does so, this section applies in relation to the recipient as if the references in subsections (1), (2) and (3) to the person were references to:
- (a) the disposer; or
 - (b) if the disposer's entitlement arose because of one or more previous applications of this subsection—the first person:
 - (i) who was entitled under subsection (1) (applying of its own force) to do an act without infringing the patent; and
 - (ii) to whom the disposer's entitlement is directly or indirectly attributable.

Definition

- (5) In this section:

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.