



FÉDÉRATION INTERNATIONALE DES CONSEILS  
EN PROPRIÉTÉ INTELLECTUELLE

INTERNATIONAL FEDERATION OF  
INTELLECTUAL PROPERTY ATTORNEYS

INTERNATIONALE FÖDERATION  
VON PATENTANWÄLTEN

## **FICPI Position on Prior User Rights**

### **INTRODUCTION**

FICPI has generally supported the concept of Prior User Rights (PUR) as an essential element of a patent system based on a first-to-file or first-inventor-to-file system. FICPI has studied the issue in connection with other questions, especially in connection with a novelty grace period for patents, but this is the first systematic review made by FICPI on this matter.

A FICPI Working Group on PUR was formed in Sorrento in October 2013. Thereupon, the issue was discussed at a number of FICPI meetings in 2014, viz. a Work and Study Commission (CET) meeting in Marrakesh in January 2014, at an Executive Committee (ExCo) meeting in Kyoto in April 2014 (including a Workshop with ExCo delegates), at a further CET meeting in Reykjavik in July 2014, an ExCo meeting in Barcelona in November 2014, within the Australian FICPI group in December 2014, at yet another CET meeting in Oxford in January 2015, and during a final round of correspondence in March 2015.

### **GENERAL DEFINITION OF PRIOR USER RIGHTS (“PUR”) AND EXISTING LAW AND PRACTICE IN VARIOUS JURISDICTIONS**

In broad terms, a Prior User Right (“PUR”) is the right of a party to continue the use of an invention when that use has begun, or the knowledge of the invention has been acquired, before a patent application was filed by another party. Provisions on such rights, governing PUR, exist in the legal systems of most countries. There are a few exceptions, e.g. Argentina, Chile and South Africa.

In the countries having PUR provisions, the legal definitions for those provisions vary from very general to very specific. France has a rather short and general provision (Article L613-7) stating that any person, who...was, in good faith, in possession of the invention...shall enjoy a personal right to work that invention...; not unlike in Germany where a patent shall have no effect against a person (for his own business) who has already begun to use the invention ... or made the necessary arrangements to do so, whereas Australia has a lengthy and detailed provision (Section 119) awarding PUR to a person: “...who was exploiting the product, method or process in the patent area, or had taken definite steps...to exploit the product, method or process...”. The Australian provision has a number of specific limitations, e.g., concerning derivation from the patentee. PUR is awarded on condition that the information source from which it was derived had been made publicly available by or with the consent of the patentee. Thus, a PUR according to the Australian provision can only be based on derived information which is in the public domain. The Australian Section 119 is reproduced, in its entirety, in Appendix 1. It should be observed that this provision does not include the requirement of “good faith”.

### **PREVIOUS FICPI COMMENTS ON PUR**

A PUR is often considered to be a necessary complement to a novelty Grace Period (GP). For example, a significant question concerning GP is whether third parties may acquire PURs in the time



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interval between the initial disclosure of an invention by an inventor, and the subsequent filing of a patent application, within the GP, by the same inventor.

FICPI has confirmed its position several times on the GP, and in the White Paper FICPI/WP/2013/01 published in 2013, it was stated that “Third parties may acquire prior user rights irrespective of a disclosure made by the inventor before the filing date under the grace period, provided that all other criteria for obtaining prior user rights are met”. Thus, FICPI supports the coexistence of a GP regime and a PUR regime.

### “PUR” AS AN ELEMENT OF PATENT LAW HARMONIZATION

In jurisdictions based on the first-to-file principle, PURs are generally regarded as an essential component serving to strike an appropriate balance between those who file patent applications and those who wish to maintain their invention as a trade secret. Now that the United States has shifted from a first-to-invent to a first-inventor-to-file system, it has accepted the need to introduce PUR provisions into its law. Also, in the patent law harmonization discussions, which have been underway in various fora during the recent decades, the concept of PUR has been seen as an important part of any harmonization scheme. For example, in the Tegernsee Consolidated Report, published in 2014, PUR was one of the four major topics being analyzed.

Furthermore, AIPPI, a FICPI sister organization, has studied the issue of PUR and has passed a resolution at its Toronto Congress in September 2014.

Accordingly, PUR has become an issue of high importance, at least as a symbolic element, in current discussions on the possible harmonization of international patent law.

### IMPORTANCE OF “PUR” TO VARIOUS STAKEHOLDERS, ARGUMENTS THAT JUSTIFY “PUR”

A basic justification of the patent system is to stimulate innovators to protect their inventions by filing patent applications and to subsequently disclose the invention comprehensively to the general public. However, some innovators prefer to keep the invention, or at least some aspects of the invention or related innovations, as a trade secret.

It is generally agreed that innovators should not be forced to use the patent system in order to allow them to use what they have started to do legitimately.

Also, it is considered fair that a commercial enterprise that has made investments in an innovation of a new technology, should be allowed to pursue its efforts, and that it should have a right to carry on with its business, based on its innovation, irrespective of the subsequent activities of third parties who may file patent applications at a later stage.

A secondary effect of PUR, in jurisdictions having effective GP provisions, is that the mere existence of PUR will encourage (other) innovators to prepare and file patent applications early on, rather than relying on the GP. Thus, PUR will have an indirect effect of stimulating use of the patent system. Those who make a pre-filing disclosure to the public, relying on the GP, should file a patent



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application as soon as possible, otherwise third parties might obtain patent rights to the invention. This aspect is often referred to as a “safety net”, when considered from the perspective of the party having made a pre-filing disclosure.

Moreover, a PUR will give the prior user an opportunity to develop their ideas before they would otherwise become disclosed if filed under the patent system. A prior user, who is an inventor, can defer the decision as to whether or not to file a patent application for their invention, for some time, with the comforting knowledge that if another party files a patent application for the invention they will still be able to continue using the invention under a PUR. Such reliance on PUR could be seen as an alternative to the filing of a patent application, as long as the prior user starts the use before the third party files a patent application on similar subject matter. Also, as long as the use is performed without being disclosed to the public, the prior user can also file a patent application at a later date, at least in most jurisdictions.

### **BASIC ASPECTS OF “PUR” SUPPORTED BY FICPI**

#### **Who may be entitled to prior user rights, and what kind of use is necessary to create PUR?**

The actual person, or business unit (which may be a part of a legal entity), that has commercially exploited an innovation, or has made serious and definitive preparations for such commercial exploitation, including a substantial financial investment, is entitled to PUR. Such rights can only be transferred to others together with the business unit that was entitled to PUR.

In case the use is based on knowledge being derived from others, special conditions should apply, as set forth below under “Good Faith Requirement, Derivation”.

Generally, the PUR cannot be licensed to others.

#### **Is there a time limit for acknowledging PUR?**

The prior user has to start the commercial exploitation, or must have completed significant preparations for such exploitation, before the priority date of any patent application filed by a party. Moreover, the exploitation must be on-going immediately before the priority date of any such patent application.

#### **What kind of use should be permitted under PUR?**

Only minor modifications should be permitted, but they must not affect the essence of the invention being exploited. Thus, all embodiments within the scope of a patent may not necessarily be permitted to be exploited by a prior user, only the embodiments or modes of use that the prior user had enabled before the priority date.

#### **Proof of right when relying on PUR**

Any party, who relies on PUR vis-a-vis a patent holder, has the burden of proof with respect of its previous activities to establish the right to continue exploiting the innovation.



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### SOME SPECIFIC ASPECTS OF “PUR” OF SPECIAL INTEREST TO FICPI

#### Good faith Requirement, Derivation

Many patent laws, in various jurisdictions, specifically require “good faith” for the prior user to be awarded PUR. However, it is also recognized, in some countries, that the good faith requirement is difficult to assess in practice. Therefore, in some northern European countries, the requirement is more permissive in that the only condition is that the exploitation should not constitute an “evident abuse” in relation to the applicant/patentee. In other countries, e.g. in Russia, PUR is awarded only if the prior user has conceived the invention independently of the patentee. In yet other countries, as indicated above in the introductory paragraph, in particular in Australia and New Zealand, there is a provision that PURs be given if and only if:

- the prior user exploited the invention already before the priority date of the patent application,
- in case of derivation, the applicant had made the invention publically available, and
- the prior user had not stopped or abandoned the invention at the priority date.

Within FICPI, the latter Australian provision has been discussed as a possible legal provision that would be relatively easy to assess in practice in court proceedings. However, arguments have also been raised in favor of a somewhat broader or more permissive criterion that would be fairer to a prior user acting in good faith.

Accordingly, FICPI now proposes that PURs should be awarded to a party, despite the existence of a patent application owned by some other party, if:

- 1) the prior user legitimately started commercial use, or had made significant preparations for such use prior to the priority date of the other party’s patent application, even in case the other party, relying on a grace period provision in the particular jurisdiction, had already disclosed the invention publicly before said priority date, provided that:
  - 2) one of the following conditions are also met:
    - 2a. the prior user conceived the invention quite independently of the applicant/patentee;
    - 2b. the prior user exploited the invention based on knowledge which was in the public domain at the time the prior user started commercial use or had completed significant preparations for such use; or
    - 2c. the prior user derived non-public knowledge of the invention from the applicant/patentee and started the prior use with the direct or implicit consent by the applicant/patentee (“implied license”), there being no abuse in relation to the latter, in particular no contractual or implicit obligation for the prior user to refrain from using the invention or disclosing it to third parties or to the public. Conversely, PURs should not be recognized in case the prior user



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derived non-public knowledge from the applicant/patentee and started to exploit the invention without consent by the applicant/patentee.

In essence, this proposed provision is very similar to the provisions in the patent laws of Australia and New Zealand, but is somewhat broader because of the implied license situation in item 2c.

FICPI believes that the above proposed requirement strikes a proper balance between the interests of the stakeholders involved, including patent applicants, parties developing technology in cooperation with patent applicants, third parties and the public at large.

### Territorial considerations

It is broadly agreed that continued use by the prior user should be permitted only within the jurisdiction where the prior use took place. However, in regional systems, such as within the territory where the European Patent Convention (EPC) is implemented, it is not clear whether the principle of PURs should have effect only in the particular national state, where the prior use took place, or within the whole territory of the particular regional patent system.

On balance, FICPI believes that the territorial scope of PURs should provide a proper balance between the interests of the patentee and the prior user, taking into account the existence or not of a regional patent system having uniform effect in a plurality of states encompassing the prior use and the existence or not of a single market of multiple states encompassing the prior use.

### CONCLUSIONS

FICPI considers Prior User Rights (PURs) - the right to continue exploiting an invention after having started exploitation without infringing any patents held by others - to constitute an essential element of any patent system based on the first-to-file or first-inventor-to-file principle. This is especially important in case the patent system includes an effective Grace Period (GP) provision of the “safety net” type. In such a system, the existence of PUR will provide a proper balance.

However, the PUR should be limited to preserve the balance by providing conditions for the prior user. Primarily, PUR should be acknowledged for independently created inventions. On certain conditions, however, even derived knowledge may form the basis of a right to start and continue the use of an innovation for which another party subsequently files a patent application, but the prior user may not exploit the invention on the basis of non-public information, derived from another party, without the consent of the latter party.

A party claiming PUR has the burden of proof regarding its prior activities to justify a continued exploitation, within a territory being geographically limited to the particular jurisdiction where the activity took place.

*[Annex 1 follows]*



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### Annex 1: Australian provision on Prior User Rights (Section 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.

(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.

#### *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) through any publication or use of the invention in the prescribed circumstances mentioned in paragraph 24(1)(a).<sup>1 2</sup>

#### *Exemption for successors in title Definition:*

(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

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<sup>1</sup> There is currently a bill before the Senate including an amendment to delete "through any publication or use of the invention" so that it corresponds to the wording defining the amended grace period.

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*(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 or 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), (i), (ii) or (iv) with a product resulting from the use of the method or process.*

**[End of Annex 1 and End of Document]**