



Question Q228

National Group: Philippines

Title: Prior User Rights

Contributors:

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## Questions

### I. Analysis of current law and case law

Groups are invited to answer the following questions under their national laws:

1. Is there a provision in your national patent law that makes an exception to the exclusive right of a patent holder for parties who have used the invention before the filing/priority date of the patent (“prior user rights”)?

**Yes. Section 73.1 of the Philippine Intellectual Property Code (IP Code) states:**

**“Sec. 73. *Prior User.* -**

**73.1. Notwithstanding Section 72 hereof, any prior user, who, in good faith was using the invention or has undertaken serious preparations to use the invention in his enterprise or business, before the filing date or priority date of the application on which a patent is granted, shall have the right to continue the use thereof as envisaged in such preparations within the territory where the patent produces its effect.**

**73.2. The right of the prior user may only be transferred or assigned 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.”**

**Section 72 refers to the limitations on patent rights.**

2. How frequently are prior user rights used in your country? Is there empirical data on how often prior user rights are asserted as a defense in negotiations or court proceedings?

**We are not aware of any past or pending case in which the defense of prior user was used. And there is currently no empirical data on how often such right is asserted as a defense in negotiations or court proceedings.**

**There is no case decided by the Supreme Court which discusses prior user rights.**

3. To what degree must someone claiming a prior user right have developed the embodiment which is asserted as having been used prior to the filing/priority date of the patent? Is it sufficient to have conceived of the embodiment, or must it have been reduced to practice or commercialized?

**From the wording of law (“using the invention or has undertaken serious preparations to use the invention in his enterprise”), it can be taken to mean that in the Philippines, merely conceiving the embodiment is not enough. It must have been commercialized or reduced to practice.**

4. Does it make a difference in your country if
- the prior use occurred before the priority date; or
  - it occurred after the priority date, but before the filing date?

**It does not. According to Sec. 73.1, use must be prior to the filing date OR the priority date.**

5. Is there a territorial limitation with regard to the scope of prior user rights in your country? In other words, if a party has used the patented invention before the filing/priority date in a foreign country, can it then claim a prior user right in your country?

**Based on the wording of the law, it can be interpreted that prior use in a foreign country may not be used to justify use in the Philippines. This is implicit from the provision that gives the prior user the right to continue his use “within the territory where the patent produces its effect”.**

6. Is there a provision that excludes prior user rights for those who have derived their knowledge of the invention from the patent holder and/or the inventor?

**None. However, while the language of the law does not specifically state that a person who has derived his knowledge of the invention from the patent**

**holder and/or the inventor is not considered a prior user in good faith, the inventor may argue that such a prior user is not in good faith.**

7. Is it necessary that the prior user has acted in good faith to be granted a prior user right?

**Yes.**

8. Is there a material limitation with regard to prior user rights in your country? More specifically, if someone has used an embodiment of a patented invention before the filing/priority date of the patent, can he then claim a prior user right to anything covered by the patent? In particular, is the owner of a prior user right entitled to alter/change the embodiment of the patented invention used before the filing/priority date of the patent to other embodiments that would also fall within the patent's scope of protection or is he strictly limited to the concrete use enacted or prepared before the patent's application or priority date? In the event that changes/alterations are permitted by your national law, to what degree?

**The use of the term “invention” in Section 73.1 would suggest that the prior user may have a right to anything covered by the “invention” which may have several embodiments. The scope of an invention is defined by its claims under Section 36.1 of the IP Code and not by its embodiments. Under the enabling disclosure rule (Rule 406.1, par. 1 of the Implementing Rules and Regulations for Inventions), the inventor is only required to give at least one way of doing the invention using working examples. This implies that as long as the embodiments are within the scope of the claims, the prior user can not be held liable for infringement.**

9. Does a prior user right in your country require the continued use (or the necessary preparations of the use) of the invention claimed by the patent at the moment in which the objection of the prior user right is asserted or is it sufficient if the invention claimed by the patent has been used before the priority/filing date of the patent but has been abandoned at a later stage?

**Based on the wording of the law, it appears that it is sufficient if the invention claimed by the patent has been used before the priority/filing date of the patent.**

**The law says that if a person is using, or has made serious preparations for the use of an invention, before the priority or filing date of the application, he “shall have the right to continue the use” of the invention. Such person may therefore decide to abandon his use. If he is later on sued for his past actions, he could still raise the prior user right defense, even if at the time that he is claiming it, he has abandoned the use of the invention.**

10. Is a prior user right transferable and/or licensable in your country? If yes, under what circumstances?

**The right of a prior user may only be transferred or assigned together with the enterprise or business, or with that part of the enterprise or business in which use or preparations for use have been made.(Section 73.2 of the IP Code)**

**Although the prior user right is entitled to a limited transfer right, licensing does not appear to be authorized by Section 73.2.**

11. Does your national law provide any exceptions or special provisions with regard to a prior user right owned by a company within a corporate group? In particular, can a prior user right be transferred or licensed to another group company?

**There is no specific provision on intra-corporate transfers. Based on the wording of the law, however, it appears that the right can be transferred (but not licensed) to another within its corporate group for as long as the transfer is made together with the enterprise or business, or with that part of the enterprise or business in which use or preparations for use have been made.**

12. Are there any exceptions for any specific fields of technology or types of entity with regard to prior user rights in your country?

**None.**

13. The Groups are invited to explain any further requirements placed on prior user rights by their national law.

**There are no provisions of our national law imposing other requirements on prior user rights.**

## **II. Policy considerations and proposals for improvements to your current system**

14. Should a prior user right exist in any legal system? If yes, what is the main legal justification for a prior user right?

**Yes. A first-to-file system could create an inequity between a good faith first-in-time user and the patentee. Inventors may prefer not to seek patent protection for every innovation for a variety of reasons. By way of example, some types of innovations are better protected by a trade secret contractual clause (there being no trade secret law in the Philippines) rather than patent protection. A prior user right achieves a balance between the equitable economic interests of the prior user and the incentives given for disclosure of ideas under patent law. Thus, a prior user defense allows the prior user to continue his use while ensuring that the patentee has exclusive rights as against all other parties.**

15. What is the perceived value of prior user rights in your country?

**Prior user rights give inventors flexibility in deciding what to do with their inventions. They can choose to commercialize their invention after obtaining a patent or just to keep their invention as a trade secret.**

16. Are there certain aspects that should be altered or changed with regard to the existing implementation of the prior user right in your country? In particular, are there certain measures or ways that could lead to an improvement and/or strengthening of your current system?

**Considering the absence of case law, it would be better if the law clarifies the territorial limit of the prior user defense. While we interpret Section 73.1 to be limited within the Philippine territory, its wordings allow a contrary reading. That is, prior use abroad can be a defense.**

### **III. Proposals for harmonization**

Groups are invited to put forward proposals for the adoption of harmonized rules in relation to prior user rights. More specifically, the Groups are invited to answer the following questions:

17. Is harmonization of “prior user rights” desirable?

**Yes. Global symmetry of patent laws puts everyone on equal footing. If in country A the prior user defense is limited to a particular subject matter (such as method for conducting business) and in country B the defense is not so limited, this difference could put businesses in country A at a disadvantage because they could be held liable for patent infringement by a country B entity who holds a patent in country A. On the other hand, a country A entity who holds a patent in country B may not be able to sue for patent infringement in country B as more users in this country, based on its different law, could fall within the definition a “prior user.”**

**A contrary view, however, is that the prior user rights law of each jurisdiction should be based on their respective technological capacities. In other words, there should be a stricter law in jurisdictions experiencing exponential advancements.**

18. What should be the standard definition of “use” in relation to prior user rights? Must the use be commercial?

**“Use” should cover actual reduction in practice, not mere conceptualization. Inventors who have expended time and money in producing a prototype or perfecting a method must be allowed to exploit their invention even if they**

**only commercialize it after another has filed a patent application for the same subject matter. After all, the law speaks also of “serious preparations to use.”**

19. What should be the definition of “date” (or “critical date”) for prior user rights? (*i.e.* when must the invention have been used to establish a prior user right?)

**The invention must be used before the local filing or the international priority date, whichever is earlier. These two dates are easy to verify.**

20. Should a prior user right persist in the event that the use and/or preparation for use of the invention has already been abandoned at the time of the patent application/priority date or should the prior user right lapse upon the termination of the use and/or preparation of use?

**If the use and/or preparation for use have been abandoned at the priority or filing date, the prior user right should not come into play. Abandoned use or preparation of use should not later establish a prior user right to resume use of the invention.**

21. What should be the territorial scope of a prior user right? In particular, if a party has used the patented invention before the decisive date in a foreign country, should it then be entitled to claim a prior user right?

**The right should be restricted to the place where the use occurred. Granting exclusive rights to the patentee and prior user erodes the value of patents, so the exemption should be limited and strictly defined.**

**At most, if prior user rights are to be recognized outside the country of use, there should be a requirement of reciprocity, e.g., both countries involved give the same rights.**

22. Should there be a provision that excludes prior user rights for those who have derived their knowledge of the invention from the patent holder and/or the inventor? If yes, should it be necessary that the prior user has acted in good faith to be granted a prior user right?

**Yes, the prior user defense should be limited to actual inventors and innovators, namely, those who created or developed the invention independently but failed, for one reason or another, to be the first filer.**

**The prior user should have also acted in good faith. Thus, a prior user who acquired knowledge of the invention through illegitimate means or who had appropriated the invention from the patent owner should not enjoy the benefits of a prior user right.**

23. Should there be material limitation with regard to prior use rights? In particular, if someone has used an embodiment of a patented invention before the filing/priority date of the patent, should he then be entitled to claim a prior user right to anything covered by the patent?

**Yes, please refer to the answer to question 8.**

24. Should a prior user right be transferable and/ or licensable?

**It should be transferable but not licensable. If the prior user could license his invention to any number of people, the patentee's exclusive rights would be seriously affected. There will be many who can use the same invention. On the other hand, assignment does not have the same effect, as the prior user right is simply transferred from one person to another.**

**However, the transfer should be *bona fide* and not merely to circumvent the policy on patent protection.**

25. Should there be any exceptions for any specific fields of technology or types of entity with regard to prior user rights?

**There are no exceptions provided in our law as should be the case. The possibility of having two independent inventors applies to any field.**

26. The Groups are also invited to present all other suggestions which may appear in the context of the possible international harmonization of "prior user rights".

**As has been hinted earlier, the harmonization efforts should start with reciprocity provisions.**