

**Questionnaire February 2014**  
**Special Committee Q228 - Patents**  
**on Prior User Rights**

**This is the response of the UK group. It is submitted subject to council approval and may be amended following our next council meeting (which is next week).**

**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. The relevant provision is section 64 of the Patents Act 1977 (“s.64”).<sup>1</sup>**

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?

**There is no empirical data as such. The only indication we have of the extent or frequency of use is gathered from reported cases in the UK. This shows that prior user rights have not been commonly relied on in infringement proceedings in the UK. Below is a summary of the reported cases in which a s.64 defence has been raised.**

<b>Case</b>	<b>Outcome</b>	<b>Cases considered</b>
<b><i>Schenck Rotec v Universal Balancing</i></b> [2012] EWHC 1920 (Pat) Birss J	s.64(1)(a) and (b) defences were rejected.	<i>Lubrizol</i>
<b><i>Lundbeck v Norpharma</i></b> [2011] EWHC 907 (Pat) Floyd J	s.64(1)(a) defence was common ground for certain processes, but did not apply to the same product made by different processes.	<i>Lubrizol; Helitune</i>

<sup>1</sup> Section 64 was modified by paragraph 17, Schedule 5 of the Copyright, Designs and Patents Act 1988 with effect from 7 January 1991 (SI 1990/2168). In *Lubrizol v Esso* [1997] RPC 195 it was considered that this amendment did not make any difference to the interpretation of s.64 (per Jacob J at 214).

<b>Case</b>	<b>Outcome</b>	<b>Cases considered</b>
<b><i>FNM Corporation v Drammock International</i></b> [2009] EWHC 1294 (Pat) Arnold J	s.64 defence was pleaded but was dropped at trial.	-
<b><i>Novartis v GlaxoSmithKline Biologicals</i></b> [2009] EWHC 2422 (Pat) Arnold J	s.64 defence was pleaded, but case settled before trial.	-
<b><i>Qual-Chem v Corus</i></b> [2008] EWPC 1 HHJ Fysh	s.64 defence rejected. C sought to rely on an act carried out by Q at C's premises.	<i>Lubrizol</i>
<b><i>Forticrete v Lafarge Roofing</i></b> [2005] EWHC 3024 (Pat); Kitchin J	Application to amend pleadings to rely on s.64 defence was rejected.	<i>Lubrizol; Helitune; Hadley Industries</i>
<b><i>Hadley Industries v Metal Sections</i></b> [1998] EWHC 284 (Pat) Neuberger J	s.64 defence rejected. Changes had been made to the prior use process. No 'chain of causation' shown.	<i>Lubrizol</i>
<b><i>Lubrizol v Esso (No.5)</i></b> [1998] RPC 727 Roch, Aldous and Brooke LJ	s.64 defence rejected – no effective and serious preparations. Scope of s.64 defence considered.	<i>Helitune; Lubrizol (No1)</i>
<b><i>Lubrizol v Esso (No.5)</i></b> [1997] RPC 195 Jacob J	s.64 defence rejected. Scope of s.64 defence considered.	<i>Helitune; Lubrizol (No.1)</i>
<b><i>Ocular Sciences v Aspect Vision Care</i></b> [1997] RPC 289 Laddie J	s.64 pleaded, but did not need to be considered (since no infringement)	-
<b><i>Lubrizol v Esso (No.1)</i></b> [1992] RPC 281 Laddie QC	s.64 defence considered at CMC. Not considered 'knock out' defence.	<i>Helitune</i> – Laddie QC questions whether it is correct.

Case	Outcome	Cases considered
<i>Helitune v Stewart Hughes</i> [1991] FSR 171 Aldous J	s.64 defence rejected – no effective and serious preparations.	-

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?

The asserted embodiment must have been developed to the extent that it amounts to either (1) an act which would constitute an infringement of the patent if it were in force (s.64(1)(a)) or (2) effective and serious preparations to do such an act (s.64(1)(b)). Merely conceiving of the asserted embodiment will not be sufficient for a defence under s.64.

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?

Yes. The prior use must begin before the priority date of the patent.<sup>2</sup>

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?

Yes, there is a territorial limitation. The prior use must take place within the United Kingdom. This is deemed to include the Isle of Man (s.132(2) Patents Act 1977)<sup>3</sup> and the territorial waters of the United Kingdom (s.132(3) Patents Act 1977). Prior uses that take place outside the United Kingdom do not qualify under s.64.

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?

Not in such terms, no. But, there is a requirement that the relevant prior act (or the effective and serious preparations to do the act) be carried out in 'good faith' (s.64(1)(a) and (b)). There is no definition of 'good faith' in the

<sup>2</sup> 'Priority date' is defined in s.5 of the Patents Act 1977. Where more than one invention is specified in a claim, each invention may have a different priority date under s.5 (s.125(2) Patents Act 1977).

<sup>3</sup> Patents Act 1977 (Isle of Man) Order 2003 (SI 2003 No. 1249).

Patents Act 1977, nor has the term been the subject of any judicial comment. However, any act arising from information obtained from the inventor or proprietor in breach of confidence, for example, will almost certainly not constitute 'good faith'.

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

Yes. As discussed in response to question (6) above, this is a requirement specified in s.64(1)(a) and (b).

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 prior use defence specified in s.64 is understood to be a narrow, personal defence. A prior use of a specific embodiment of a patented invention will not confer on the prior user the right to use anything covered by the patent. In general terms, the prior user has the right to continue doing what he was doing before the priority date. The question as to what degree of variation is permitted has arisen in a number of cases in the Patents Court. The leading authority on the scope of s.64 is *Lubrizol v Esso* [1998] RPC 727, in which the Court of Appeal held that (per Aldous LJ):

*"...the right given by section 64 cannot be a right to manufacture any product nor a right to expand into other products. However, I do not believe that identity is required. I believe that the judge was right in this case when he said:*

*"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 doing what in substance he was doing before."*

*...It follows that there must be something more than preparations to do an infringing act. What more will depend upon the nature of the product and all the surrounding circumstances, but in all cases the preparations must be so advanced as to be about to result in the infringing act being done."*

In the same case at first instance ([1997] RPC 195), the Patents Court indicated that the 'existing commercial activity' that could be continued under s.64 was that 'which is substantively the same as the prior act or act for which substantial and effective preparations were made' as to which both technical and commercial matters should be taken into account.

Therefore the question as to whether a prior user is really doing after the priority date what he was doing before will inevitably be a matter of fact and degree

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?

Section 64 confers on the prior user 'the right to continue to do the act' or (if effective and serious preparations have been made) 'the right...to do the act'. There is no guidance in the Patents Act 1977 as to what is meant by 'continue' nor has the term been the subject of express judicial comment. In practical terms, it seems unlikely that 'continue' would be construed so literally such that any cessation in the use whatsoever would be sufficient to extinguish prior user right. There is authority from the Patents Court that there must be a 'chain of causation' between the alleged prior use and the act of infringement (*Hadley Industries v Metal Sections* [1998] EWHC Pat 284).

It is relevant to note that there are no quantitative restrictions on s.64. In the absence of any judicial authority to the contrary, it would appear that a prior use arising out of the manufacture of one infringing product is sufficient to confer the right to repeat that act as often as the prior user chooses.

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

Prior user rights under s.64 are essentially personal in nature and do 'not extend to granting a licence to another person to do the act' (s.64(1)).

However, if the prior act was done, or the preparations were made, in the course of a business (a 'prior business act'), the 'person entitled to the right' may (1) authorise the doing of that act by any 'partners of his for the time being in that business' (s.64(2)(a)) and (2) assign the right, or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made (s.64(2)(b)). Although there is no authority on the point, it is assumed that the 'person entitled to the right' referred to in s.64(2) would include both the individual (natural person) who performed the prior business act and the business (legal person) in which he was working.

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?

As discussed in response to question (10) above, a prior user of a prior business act may authorise the doing of that act by any partners. It appears that the right may only be assigned in the event that the business is acquired.

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

No such exceptions apply.

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

Section 64 confers a prior user right where the prior act 'would constitute an infringement of the patent if it were in force'. Although this point has not fallen for judicial determination, it could be argued that, if the prior act is excluded from infringement by virtue of any of the exceptions specified in s.60(5) Patents Act 1977, then the act will not be sufficient to confer prior user rights under s.64. For example, acts done privately for non-commercial purposes (s.60(5)(a)) or for experimental purposes relating to the subject-matter of the invention (s.60(5)(b)) are not deemed acts of infringement and so might not on this basis qualify as prior user rights under s.64 although the contrary could also be argued because by s.60(6) such exceptions do not confer a right to use the invention.

## **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 prior user right should exist in order to prevent something which is being done lawfully from becoming unlawful.

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

They are an important tool to protect a person's freedom to act in private with reduced risk of subsequent injunction. They are especially important in retaining freedom to operate where a person chooses to protect certain aspects of a commercial activity by means of trade secrecy rather than by patenting.

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?

An international standardization of rights would be beneficial, especially in advance of the introduction of the Unified Patent Court ("UPC"). Without harmonization, the UPC may be required to consider the national laws of at least 13 different Member States. Moreover, within the single market of the EU, consideration could be given to whether prior use in one national territory should count in others.

Certain aspects of s.64 of the Patents Act 1977 could be clarified. For example:

(a) clarification that the performance of an 'act' before the priority date (which would constitute an infringement of the patent if it were in force) could be scaled up after the priority date and still allow reliance on the prior user right;

(b) clarification of the meaning of 'partners of his or for the time being in that business' that could be authorised by the holder of the prior user right to do the act covered by that right; and

(c) clarification of the level of 'continuity' that is required to retain a prior user right – must one always continue acting or are any periods of inactivity allowable?

### 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. Harmonization in this area is desirable and would encourage international trade by increasing legal certainty across different jurisdictions. We suggest that the laws in each jurisdiction should be the same but only apply within that territory or, arguably, in the case of a single market such as the EU, that region. We regard harmonization to be essential for the functioning and efficacy of the proposed UPC.

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

a) Any use that would infringe the patent in question, without regard to exceptions from infringement e.g. experimental use.

b) No, both public and private non-commercial uses should be covered.

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 priority date of the patent in question – it should not be any later or the proprietor would risk losing rights and/or giving free licences to competitors. It is important that, as from the priority date, the proprietor should feel confident that it can publish details of the application. Any possibility that a prior user right might arise would inhibit the ability of the proprietor to exploit its invention.

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?

The prior user right should persist for the sake of simplicity and ease of enforcement. Proving the termination of use (and/or preparation of use) would be too difficult to do to allow the right to lapse.

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?

Subject to a difficulty raised by the UPC, the right should be commensurate with the territorial rights granted by the patent in question and the court in which the dispute is being heard.

Under the UPC, a European patent might be viewed as a right of national or international territorial scope. There is an argument for extending the scope of prior user rights to be based on the territory subject to the UPC, or EU wide; there is certainly need for debate as to whether to retain national scope or extend it to the territory of either the UPC Agreement or the EU.

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?

a) Yes, there should be a requirement to act in good faith, such as that contained in s.64(1)(a) and (b).

b) Yes, see (a) above.

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?

No, the scope of prior user rights should be narrow. As such in this situation,



the prior user right should only extend to cover the relevant aspects of the patent which the prior embodiment touched on, not any activities falling within the claims of the patent.

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

A prior user right should be transferable by way of assignment, but only as an indivisible right and in conjunction with the associated business. For the purpose of clarity, we do not consider that prior user rights should be licensable to avoid the right being used by more than one entity at any one time.

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

No, it is better to adopt a uniform approach for the sake of convenience and ease of understanding.

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".

We do not have any other suggestions beyond those set out above. In summary, however, the UK Group believes that prior user rights should be (a) narrow; (b) personal; (c) assignable and (d) not licensable. Harmonization of the law in Europe is critical in view of the UPC, and that should include consideration as to whether the scope of the right should be national or based on the territory subject to the UPC Agreement, or be EU-wide.