

PATENT HARMONISATION

A CIPA policy briefing on:

- 18-month publication period
- Conflicting applications
- Grace periods
- Prior user rights

By Rebecca Gulbul

Foreword by Tony Rollins

FOREWORD

by Tony Rollins

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These excellent reviews by Rebecca Gulbul, a non-practising barrister with an LLM in Intellectual Property, of CIPA's position on the four Tegernsee topics come at a very opportune time. Substantive Patent Law Harmonisation has been a long term goal of users of the patent system for decades and, after some years of inactivity, is now the subject of debate within industry and professional associations globally and within the B+ group of Patent Offices. It was also, of course, the subject of recent symposiums/meetings held by the European, Japanese and US Patent Offices. Rebecca's papers describe both CIPA's position on these topics, which reflect both private practitioners' and industry views in the UK, and the background to and reasons for these positions. They also provide relevant background information in the form of CIPA's response to the Tegernsee questions, the current positions in Europe, Japan and the USA and recent AIPPI Questions on grace period and prior user rights.

It is clear from these papers that we still have a diverse range of opinions on aspects of these topics, with the possible exception of 18 month publication. On prior user rights, we do not even have a common position in Europe, let alone globally! However, we should bear in mind that the US did move from its traditional system by introducing the America Invents Act, even if some feel that it did not go far enough. From an UK/European perspective, we need to consider if the greater legal certainty that is provided by not having a full grace period is more important than having a more harmonised system worldwide. Practitioners globally may also want to consider if the provisions for preventing two patents being granted on substantially the same invention can be addressed as part of a harmonised package. Anything is possible if the parties come to the table with willingness, flexibility and open minds. The debate on these issues, and those related to them, will continue. These CIPA briefing notes will provide useful background reading for those involved!

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BRIEFING NOTE

April 2015

from the Chartered Institute of Patent Attorneys (CIPA)

PATENT HARMONISATION: 18 MONTH PUBLICATION PERIOD

SUMMARY

Patent applications are usually published 18 months from its filing date. Once published, details of the invention become part of the state of the art and are accessible by the public, including competitors of the applicant. They will also form part of the prior art for any applications subsequently filed anywhere else in the world. Applicants can request an earlier publication date if they wish to (although from the 2012 Tegernsee Report, it can be seen that this is rarely requested). The USA is the only jurisdiction which allows applicants to opt-out from the publication of their application.

CIPA believes that harmonising the rules of publication of patents is an important part of achieving a coherent global patent system. CIPA believes that 18 months is an appropriate length of time and achieves a good balance between the interests of applicants and third parties. No opt-out provision should be introduced as it is unlikely to benefit the patent system.

BACKGROUND

i. Effects of 18 month publication period

The 18 month period helps to balance the interests of the applicant with that of third parties. After having filed an application and before it is published, a search report is often provided to the applicant. This shows any similar prior art and allows the applicant to make an informed decision on whether he would like to go ahead with his application. If he does, his application will be published within the 18 months' time frame. If he wishes to withdraw his application, the details of his invention will not be disclosed to the public and he may choose to exploit his invention as a trade secret. Publication details enable competitors to decide whether to continue their research in a similar field as the applicant or use the information available to build their research upon.

Conversely, the system may be detrimental to the applicant if his application is still pending in the examination backlogs despite already having been published. Once published, competitors worldwide are able to access details of the invention and can start copying or designing around the technology. Without a patent, the applicant himself would not have full rights on his invention and would not be able to stop competitors. However, most jurisdictions offer some provisional protection. Competitors may also develop an advantage by enhancing the existing technology and by the time the applicant's patent is granted, they may have the latest technology on the market.

ii. Opt-out system

The USA is the only jurisdiction which allows an applicant to bypass the 18 months publication rule as long as he has not applied and will not apply for a patent for the same invention in another country. If patent law is harmonised, there will be a need to either introduce the same system in other jurisdictions or for the USA to take it off its legislature books.

The opt-out system may be seen as giving an unfair advantage to an applicant, as details of his invention will not be disclosed until much later, but he would still be entitled to a patent if he satisfies the criteria. This does not reflect the aim of the patent system which is to grant monopoly rights over the exploitation of an invention in exchange for disclosure.

ANSWERS TO THE TEGERNSEE SURVEY

i. Experience with opting out of publication in the US

The USPTO had the highest responses from those who had used the opt-out system (41.5%). The other respondents showed negligible interaction with the system. However, it should be noted that the low level of responses may be due to foreign applicants filing in more than one country, and thus being precluded from using the US opt-out system.

ii. Effect of third party opting out

When asked whether they had been affected by an applicant's decision to opt-out of publication, most respondents answered negatively. The highest percentage of respondents who had been affected came from the German patent office.

iii. Copying or designing around by competitor after publication

In relation to third party copying, respondents were asked whether they had experienced third party copying as a result of the mandatory 18 months publication. The majority of those surveyed answered positively to that question, with the German patent office having the highest rate at 67.6%.

iv. Pursuit of trade secret protection as an alternative to patents

A lack of an opt-out proposition does not appear to deter applicants from applying for a patent and keep their information as trade secrets. However 27% of USPTO's respondents said that they would consider keeping their technology as a trade secret in countries where there are no opt-out options.

v. Publication of application after 18 months

A significant majority of respondents from all patent offices agree that an application should be published after 18 months and that there should not be any opt-out possibility.

vi. Availability of search report before 18 month publication

The majority of respondents from the USA and European countries agreed that it should. However, the majority of those surveyed by the Japanese Patent Office do not agree with the statement, saying that applicants should take full responsibility on whether they want to keep an application or withdraw it. Japanese respondents were also concerned about an increase in the application fee.

vii. US system alignment with other patent systems

Excluding US respondents, the majority of respondents from all other patent offices agree that the US patent system is not aligned with the patent systems elsewhere.

viii. Importance of harmonising the publication regime

The majority of those surveyed agree that it is either important or critical to harmonise the publication regime.

ix. Reasonableness of 18 months period from standpoint of applicant

The vast majority agree that it was reasonable.

x. Reasonableness of 18 months period from standpoint of third parties

Opinions were divided, with many believing that the period was too long.

RECOMMENDATIONS

1. CIPA believes that harmonising the practice of the publication of patent applications is an important part of achieving a universal patent system.
2. CIPA believes that an 18 month publication period is appropriate. It achieves a good balance between the interests of the applicant and third parties.
3. There should not be any possibility of opting out of publication.

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BRIEFING NOTE

April 2015

from the Chartered Institute of Patent Attorneys (CIPA)

PATENT HARMONISATION: CONFLICTING APPLICATIONS

SUMMARY

Conflicting patent applications occur when an earlier-filed application is published after a later-filed application dealing with a similar subject matter. This is problematic because the contents of an application only becomes part of the prior art once it has been published, and the later-filed application should technically have been assessed against these contents.¹ CIPA believes that since the rules of conflicting applications are part of the definition of prior art, they represent an important part of substantive patent law harmonisation. A whole contents approach is the correct one to adopt. Conflicting applications should not be subject to anti-self-collision provisions and should be assessed on grounds of novelty only.

BACKGROUND

When dealing with conflicting applications, it is necessary to strike a balance between the first applicant, subsequent applications and the general public, while respecting the usual factors affecting the granting of patents, such as chronology, legal certainty and predictability. The Tegernsee Group has identified the treatment of conflicting applications as a key area to address in order to achieve a globally harmonised patent system. There is currently no uniform international approach when dealing with conflicting applications.

A patent application will often be followed by further patent applications building upon the first one, or related to it. In jurisdictions where **self-collision** is allowed, the earlier filed application will be used as prior art against all further applications, regardless of whether the later applications were filed by the same applicant or by different ones. Where **anti-self-collision provisions** are in force, the first inventor to file has an advantage over other applicants if he decides to file subsequent patent applications. If he does, the later applications will not be assessed against the contents of his first application, whereas applications from third parties will be assessed against the full prior art. Thus, unless the third parties' applications demonstrate novelty, they will not be granted a patent. This inequality is greater in the USA where it is possible for applicants to opt out of publication altogether. In those situations, third parties are thoroughly disadvantaged as they are unaware of what has been published before.

¹ *All patent systems must address how to deal with applications containing relevant subject-matter which were filed prior to the filing or priority date of the application being examined, although published later. The applications conflict, because the earlier-filed application only becomes publicly available and thus, forms prior art under general principles governing novelty, after the filing date of the application being examined.* [Tegernsee 2014 report page 53]



	EPO	Japan	USPTO
Extent to which conflicting application will be used as prior art	<p>Whole Contents</p> <p><i>i.e anything described in the earlier conflicting application, whether claimed or not, is considered prior art against the later filed pending application.</i></p>	<p>Whole Contents</p>	<p>Whole Contents</p>
Relevance	<p>Novelty</p> <p><i>Narrow application. Includes implicit prior art disclosure of the document, but not equivalents and variations.</i></p> <p><i>For non-explicit information, only what is immediately apparent to a person skilled in the art will be included.</i></p>	<p>Enlarged novelty</p> <p><i>When both inventions are considered to be substantially the same.</i></p> <p><i>Possibly includes inherency and equivalents, if easily understood by a person skilled in the art.</i></p>	<p>Novelty + Obviousness</p> <p><i>First filed application can be used to reject a later application on the basis of lack of novelty or obviousness.</i></p> <p><i>Two secret prior art applications, unknown to each other or anyone else can be combined, on the basis that a person skilled in the art would have combined them and come up with the later filed invention.</i></p> <p><i>Third parties cannot obtain patents for an obvious variation; it must be patentably distinct from the first application.</i></p>
Self-collision	<p>Self-collision allowed</p> <p><i>The earlier filed application will be used as prior art, regardless of whether the earlier and later applications were filed by the same person or different ones.</i></p>	<p>Anti-self-collision provisions</p> <p><i>An earlier filed application can be used against third parties but cannot be used against the same applicant unless the second application is identical.</i></p>	<p>Anti-self-collision provisions</p> <p><i>After the America Invents Act (AIA) came into force, the first application is not considered prior art against the first applicant. He can file subsequent applications which are <u>not</u> novel from the first and obtain patents.</i></p>

<p>Overall effect SC + definitions of novelty</p>	<p>Very narrow area of novelty where no patents will be granted in light of first application.</p> <p>EPO allows patents for incremental improvements to an initial invention.</p> <p>EPO issues cluster of patents for one invention, which can be granted to first applicant or third parties.</p> <p>May result in the need for multiple licences from multiple patent owners. Limited scope of exclusivity for first applicant.</p>	<p>The first applicant can file subsequent patent applications which are substantially similar to their first one and they can build a thicket of patents around their first invention.</p> <p>Thus, they have an advantage over third parties, although the latter could file for obvious variations.</p>	<p>First applicant can build up a thicket of patents.</p> <p>Third parties can only obtain patents for an invention which is distinct from original one.</p>
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Note: In Europe, PCT applications only enter the state of the art once they have entered the European phase, i.e once the filing fee has been paid, and a translation into one of the EPO official languages (English, French, German) has been filed.

POLICY CONSIDERATIONS

Dealing with conflicting applications requires balancing the interests of the first applicant, subsequent ones and the public. The principles must reflect the objectives of the patent system but at the same time must not create ambiguity or unfairness.

i. First to file

The patent systems of the EPO, Japan and the USA grant a patent to the first to file a patent application for an invention. This ensures that the first person to come up with the invention is appropriately rewarded. Thus, the applicant who filed the first application should have the chronological benefit in cases of conflicting applications. Whether or not this should extend to incremental improvements or similar inventions to the first patent is a different issue.

ii. Patentability considerations for conflicting applications

Incremental improvements and slight alterations may be enough to grant a second patent, although these applications are often assessed in light of whether a person skilled in the art would have deemed the amendments to be obvious. However, until the first patent application is published, third parties will not be aware of the pending application and it can seem unfair to reject their application if they independently came up with a similar invention. They may also be unfairly disadvantaged as anti-self-collision provisions allow the first applicant to file new applications which will not be assessed against his first one, while third parties will have to be assessed against the whole prior art.

iii. Third parties

In countries with anti-self-collision provisions, first applicants can be unduly advantaged because they happened to file first. In Japan for example, first applicants are able to file subsequent patent applications which are substantially similar, so long as they are not identical to the first, and build up a patent thicket. Third parties on the other hand are assessed against the prior art of the first applicant's application. In the USA, the applicants who opt out of the 18-month publication period have an even greater advantage as their secret art will not even be published and competitors cannot know about the first application.

iv. Patent thickets

A patent system similar to the way the EPO operates can lead to multiple patents being granted around a first invention, but these may be distributed amongst the first applicant and subsequent third parties. This would result in multiple licences being needed by people who want to use one of the patents granted, as the scope of each may be limited and thus easily infringed unless the right to use the bundle of patents is obtained. However, it should be noted that patent licences are rarely granted individually and that portfolio licensing is current practice in the industry.

v. Whole contents

The EPO, Japan and the USA all use the whole contents approach when assessing conflicting applications, rather than the prior claiming method. This means that anything described in the earlier conflicting application, whether claimed or not, is considered prior art against the later filed pending application. This seems to be the optimum approach as it allows a holistic view to be taken into consideration.

WHAT OTHERS SAY

The Tegernsee Group has considered the matter at length. In September 2012, they produced a report on the Treatment of Conflicting Applications where they analysed the approach of the EPC,

France, Japan and USA. In 2014, they published a report where they compiled the answers to the survey they gave to the patent offices of the members of the Tegernsee Group.

i. Tegernsee 2012 report

The Group noted that all their Member States applied the whole contents approach when comparing conflicting applications. However, the effect of conflicting applications or the anti-self-collision mechanisms were not harmonised. Different offices deal with similar situations in completely different ways. The Tegernsee Group noted that even if the method of dealing with applications were harmonised and resulted in efficiency gains, these would be mitigated by the fact that different offices have access to a different pool of prior art. They suggested that this may be overcome by creating an international pool of secret art, in particular for PCT applications.

ii. WIPO 2014 Report

WIPO directed a study on whether a new concept of novelty was required when assessing conflicting applications. They analysed the concept of “enlarged novelty”, however, no further action was taken from the study.

iii. Tegernsee 2014 Report

The results of the survey showed the following:

- Users of each country preferred their own system.
- Conflicting applications are infrequent. 79% of respondents said that they only encountered 1 conflicting application in every 100. Self-collision was even rarer, with 80-85% experiencing 1 or less in every 100 applications.
- Most respondents reported never experiencing problems with patent thickets. However, amongst those who did, they found that patent thickets occurred most frequently in the USA, then Japan and least frequently in Europe.
- The perceived causes of patent thickets were attributed to (i) multiple patents granted to single entities; (ii) a combination of multiple patents granted to single entities and multiple patents granted to different entities; (iii) multiple patents granted to different entities.
- Prevalence of patent thickets varies within industries: very few in Pharmaceuticals, more in Telecommunications and Computer sectors.
- Harmonisation of the rules governing the treatment of conflicting applications is considered to be critical or important by the majority of respondents in all three regions.
- There is no consensus on the issue of the date at which PCT applications should enter prior art.

RECOMMENDATIONS

1. The whole contents approach is the correct one to adopt. All Tegernsee Member States follow this approach at the moment.
2. CIPA is not in favour of introducing anti-self-collision provisions and believes that the EPO approach to self-collision is a good one to adopt. This is supported by results of the Tegernsee survey which demonstrate that within the EPC jurisdiction there are fewer patent thickets than in the USA and Japan.
3. CIPA believes that conflicting applications should be assessed against the novelty criterion only.
4. Rules on conflicting applications are part of the definition of prior art and therefore represent an important part of substantive patent law harmonisation.

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BRIEFING NOTE

April 2015

from the Chartered Institute of Patent Attorneys (CIPA)

PATENT HARMONISATION: GRACE PERIODS

SUMMARY

The Grace Period in patent law refers to the period of time before the filing of a patent application when details of the invention can be disclosed without its novelty being lost, thus still allowing the inventor to apply for a patent for his invention. Harmonising the position on Grace Period in patent law is key to achieving a globally coherent patent system. Currently, a number of countries have a Grace Period and their lengths and conditions vary.

CIPA believes that a universal and clearly defined Grace Period should be pursued as part of a comprehensive harmonisation package. In order to benefit from a Grace Period, a causal link between the disclosures and the inventor must be shown. There must be guarantees in place which ensure that harmonisation is implemented in the same way in each country. **Sub-optimal harmonisation would be worse for applicants and the patent system than no harmonisation.**

BACKGROUND

i. Grace Periods of different Patent Systems

There are currently a number of jurisdictions which have a Grace Period, but they remain a minority compared to the number of countries which do not. Countries such as Albania, Japan, San Marino and the Russian Federation have a six-month Grace Period; while Argentina, Australia, Brazil, Canada, Chile, Columbia, Estonia, South Korea, Malaysia, Mexico, Peru, Philippines, Turkey and the USA have a 12-month Grace Period. The European Patent Convention confers a limited Grace Period of six months to its Member States, and except for this provision, there is no other protection against disclosures in the UK.

The scope of disclosures covered by a Grace Period varies significantly within each jurisdiction. In the USA, South Korea and Japan, any disclosures by the applicant within the Grace Period is considered a non-prejudicial disclosure. In China, it is only those disclosures that have been made at international exhibitions or at specified academic conferences that are protected. Among the EPC countries, only disclosures that took place at an international exhibition or which were in abuse of a relationship are covered.

The position about disclosures by third parties also varies. The USA, South Korea and Japan's Grace Periods include disclosures by third parties which are against the intention of the right holder and any secondary disclosures. The USA also allows the disclosure of independent invention. In China, such disclosures must have been without the consent of the applicant, while in Europe it must have been due to evident abuse. Thus, among the countries which allow a Grace Period, there are currently big differences in the types of disclosures covered.

ii. Harmonisation discussions

In 2011, the Tegernsee Group was established to discuss the harmonization of patent law after the USA had passed the America Invents Act (AIA). The Group consists of experts from patent offices in the USA, Japan, UK, Germany, Denmark, France and the European Patent Office (EPO). The Group met four times and at each meeting, the importance of harmonizing the Grace Period was discussed.

Their last meeting was in September 2013 and in May 2014 they published a consolidated report¹ on their findings, based on the survey they issued at their last meeting. The Group noted “divergences in the understanding of the role, systemic importance and optimal scope of the grace period²” across the different countries which had participated in the survey.

Also in September 2013, the Executive Committee of the AIPPI (Association Internationale Pour la Protection de la Propriété Intellectuelle) met in Helsinki and passed a resolution³⁴ on Grace Periods. The AIPPI were in favour of establishing a Grace Period globally and their resolution lays out the different conditions which would make the Grace Period work. The AIPPI stressed that: “Harmonization of the laws on grace period is considered to be more important in and of itself than any of the particular details of scope and term of the grace period.⁵”

In their report on the AIPPI’s resolution, the World Intellectual Property Review interviewed Margot Fröhlinger, the principle director for patent laws and international affairs at the European Patent Office, who said: “I think the main consensus is that Europe would support the 12-month grace period if it was an element of a broader harmonisation package.⁶”

BENEFITS OF A GRACE PERIOD

i. Universities and small research institutions

Researchers at universities are usually driven by academic interest and may disclose their findings orally or in journals. If made before applying for a patent, the disclosure may fall under prior art and stop the researcher from obtaining a patent for his invention. Although universities today usually inform their staff about intellectual property matters, they may not offer full advice. Having a Grace Period system to rely on as a safety net would enable them to be fully covered in the event of inadvertent disclosure.

The Cohen-Boyer patents which have generated about \$250million in royalties are an important example. Cohen and Boyer, two academic research scientists, collaborated and created a method of using recombinant DNA which revolutionised the field of genetic engineering. At the time of the invention they had not thought of patenting it and published their findings in a journal. They only filed for patents after being advised to do so. Without the USA’s 12-month Grace Period, it would have been impossible for them to have patented their invention.

ii. Small and Medium Enterprises (SMEs)

SMEs are also likely to benefit from a Grace Period. In contrast to multinational companies who are well advised on intellectual property matters, small businesses are often unaware of these issues and of the importance of ‘novelty’ before filing for a patent. By the time they seek advice on patenting their technology, they may already have disclosed their invention. The Grace Period will also allow them to test their product publicly, without the risk of it becoming prior art.

¹ http://www.uspto.gov/ip/global/patents/tegersee_survey/teg-final_consol_report_june_2014.pdf

² http://www.uspto.gov/ip/global/patents/tegersee_survey/teg-final_consol_report_june_2014.pdf page 33, paragraph 98.

⁴ <https://www.aippi.org/download/commitees/233/RS233English.pdf>

⁵ <https://www.aippi.org/download/commitees/233/RS233English.pdf> page 2

⁶ The World Intellectual Property Review reported on the AIPPI’s resolution <<http://www.worldipreview.com/news/aippi-2013-grace-period-for-patents-key-to-harmonisation>> accessed on 8 January 2015.

iii. Multiple countries

A harmonised Grace Period would result in the same rules applying in every country. Thus, an applicant who has disclosed details of his invention, but is able to rely on a Grace Period in his country, will also be able to benefit from the concept in any country where he decides to file for a patent.

DRAWBACKS OF A GRACE PERIOD

i. Uncertainty

Third parties may face uncertainty in a country where a Grace Period exists. This extra layer of uncertainty could create a barrier for companies looking to legitimately move into a new market by making it more difficult to launch new products.

ii. Risk

Having a Grace Period in place may encourage inventors to take unnecessary risks and disclose their invention before they have filed for a patent, believing that they may then rely on the Grace Period. The definition of what falls under a non-prejudicial disclosure may be challenged, as it would be hard to define precisely.

WHAT OTHERS SAY

i. The AIPPI resolution

The AIPPI passed a resolution⁷ in September 2013 in favour of an international Grace Period. Below are their resolutions:

- An international Grace Period protecting an inventor or his successor in title against any written or oral disclosure or disclosure through use, regardless of any intention to disclose. A similar disclosure made by a third party would also be covered, irrespective of whether it is a result of an abuse in relation or whether the disclosure was made against the inventor or successor in title's will.
- Disclosures which are not derived from the inventor or successor in title will not be included in the Grace Period, nor will disclosures through a publication or grant by the Intellectual Property Office of an application filed by the applicant or successor in title.
- A Grace Period of 12 months preceding the filing date of the patent application or relevant priority date.
- Automatic benefit of Grace Period for applicant or successor in title, without any need for a declaration of disclosure.
- The Grace Period would not affect the date of publication of the patent application.
- When claiming the benefit of a Grace Period, that party will bear the burden of proving that the disclosure should be excluded from the prior art.

ii. The Tegernsee Group's Report

⁷ <https://www.aippi.org/download/commitees/233/RS233English.pdf> page 3

The Tegernsee Report compiles the answers to a survey which was distributed to the patent offices of the group Member States. The results show differing opinions:

- The vast majority of respondents in Japan (78%) and the USA (79%) were in favour of the Grace Period. In Europe, only a slim majority (53.8%) were in favour of it, but 61.5% of those surveyed in Germany were against it.
- Those who were in favour of a Grace Period considered a safety-net type solution to be best. This would be of 6 month duration; computed from the filing/ priority date; be subject to a formal mandatory declaration; would apply only to disclosures emanating from the applicant; and mandatory prior user rights would remain available to prior users of good faith throughout the Grace Period. Note however that in Japan, the concept of good faith is not recognised.
- Japan and Europe favoured a 6 month Grace Period but the US preferred 12 months.
- The majority of those surveyed in Japan and Europe were in favour for a mandatory declaration for the Grace Period, whereas the majority in the USA were against it.
- The following was uniformly agreed upon:
 - a. That the Grace Period should be computed from the filing/ priority date
 - b. That the Grace Period should take account of the goals of the patent system and the needs of the scientific community
 - c. That the Grace Period should protect inventors against the consequences of breach of confidence and theft of information.

RECOMMENDATIONS

1. There are important advantages to implementing a universal Grace Period. However, it must remain a safety-net for inadvertent or compulsory disclosures and must not be routinely used.
2. There must be a causal link between the disclosures and the inventor in order to benefit from a Grace Period.
3. The terms of any Grace Period must be universal and clearly defined so as not to leave room for ambiguous interpretations.
4. CIPA believes a defined standardised Grace Period should only be pursued as part of a comprehensive harmonisation package and only if there are guarantees that the process improves the system and is not implemented differently in each country or region. **Sub-optimal harmonisation would be worse for applicants and the patent system than no harmonisation.**

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BRIEFING NOTE

April 2015

from the Chartered Institute of Patent Attorneys (CIPA)

PATENT HARMONISATION: PRIOR USER RIGHTS

SUMMARY

“A prior user right is the right of a third party to continue the use of an invention where that use began before a patent application was filed for the same invention.”¹ These provisions help to strike a balance between the first-to-file requirements and third party considerations.

CIPA believes that harmonisation of Prior User Rights is important, either as a topic in itself or as part of the harmonisation of the Grace Period. The requirement of good faith should be maintained. It is important for Prior User Rights to remain narrow personal rights, as their scope should be limited to what is strictly necessary. The territoriality extent of prior user rights should be carefully considered. There should also be clear guidance as to whether as part of being allowed to continue to do an act, prior users can also improve their existing technology or transfer it.

BACKGROUND

i. Similarities

Within the Tegernsee Group members, there are similar provisions:

- Prior User Rights apply to all area of technology.
- The acts giving rise to the Prior User Rights must be performed within the territory in which the patent applies.
- There is a requirement for the prior acts to have been performed in good faith. In Japan, where good faith is not recognised, Prior User Rights arise in cases of independent invention, or derivation from an independent inventor, provided there is no knowledge “of the content of the invention claimed in a patent application.
- There are restrictions on the transfer of prior user rights, that is, in its assignability.

ii. The UK position

S.64 of the Patents Act 1977 deals with Prior User Rights. It allows a person in the UK who in good faith, has done an act which would otherwise be an infringement of a patent; or has made effective and serious preparations to do such an act, to continue to do the act/ to do the act despite the grant of a patent. There must have been a “chain of causation” between the alleged prior use and the act of infringement.²

If the act was done in the course of a business, the person entitled to the Prior User Rights can authorise other parties to carry out the act as well. They can also assign the rights or transfer them upon death. Note that licences cannot be granted, as Prior User Rights are personal in nature as stated in s.64(1).

In order to give rise to rights, the prior use must have begun before the priority date of the patent and must have taken place in the United Kingdom. Further, s.64(1)(a) and (b) impose a requirement that the prior act must have been done in good faith, although the term is not defined.

¹ USPTO Report on Prior User Rights –prepared by DK, DE, FR, UK page 2

² *Hadley Industries v Metal Sections* [1998] EWHC Pat 284

Prior use is a narrow and personal defence. Its scope is only as wide as to “give practical protection to enable a man to continue doing what in substance he was doing before.”³ An infringing act, although depending on the nature of the product and the circumstances, would generally require more than just preparations. “The preparations must be so advanced as to be about to result in the infringing act being done.”⁴

POLICY CONSIDERATIONS

- Prior User Rights exist to prevent something which is being done lawfully from becoming unlawful.
- They are an important tool to protect a person’s freedom to act in private without risking a subsequent injunction. Upholding freedom to operate is particularly important when a person has chosen to protect certain aspects of a commercial activity by means of trade secrecy rather than by patenting.
- Prior User Rights strike a balance between the interests of the prior user, who may have decided to keep his invention as a trade secret and a patentee, who deserves to be rewarded for disclosing the invention to the public.
- It is important to find the correct balance between fairness (for the patent holder and prior user) and efficiency, so that the patent system can operate smoothly.

DISCUSSIONS

i. AIPPI

In February 2014, the AIPPI issued a questionnaire, where it asked different countries about their views on Prior User Rights, and their national law provisions. The UK responded to the questionnaire and explained the current national situation. Some of the key observations from the answers are listed below:

- It was stressed that there was a need for clarification of the provision under s.64 Patents Act 1977 where are grey areas. For example, it is unclear whether the scope of Prior User Rights (started before the priority date) can be scaled up after the priority date by relying on the Prior User Rights.
- Clarification is needed about the meaning of partners, as listed in the Act.
- Clarification also on the level of continuity required to retain a Prior User Right.
- The UK was of the view that harmonisation of Prior User Rights is desirable and would encourage international trade by increasing legal certainty across different jurisdictions. This would also be essential for the functioning of the Unified Patent Court (UPC).
- The UK believed that assignment of Prior User Rights should be allowed, but not licensing.

ii. Tegernsee Group

In their 2014 Report, the Tegernsee Group published the result of the surveys they had asked patent offices to fill out. Here are their conclusions:

- Prior user rights appear to be much more frequently invoked and play a much more significant role in the national patent systems in Europe than is the case in Japan or the USA.

³ *Lubrizol v Esso* [1998] RPC 727 by Aldous LJ

⁴ *Lubrizol v Esso* [1998] RPC 727 by Aldous LJ

- Most users tend to have experience with prior user rights within their jurisdiction of origin, where they are more likely to be holders of patents, and also have their main area of activity.
- The frequency of use of prior user rights varies across different fields of technology.
- A majority of Japan and US respondents appear to believe that inventors making use of the Grace Period should be shielded from prior user rights accruing to third parties having derived the invention from them, even in good faith, which would be in line with the policies of their respective national laws.
- A majority of respondents in Europe believe that prior user rights should be defined so as to protect third parties in good faith prior to the priority date as well as operate a disincentive to pre-filing disclosure.
- Divergence in the understanding of the systemic function of prior user rights in a grace period context between users in Japan and the USA on one hand and Europe on the other.
- Overwhelming majority of respondents in all three regions believe that mere prior knowledge of the invention should not suffice as a minimal requirement to ground prior user rights.
- Majority of respondents from all jurisdictions support prior user rights being available until the filing/ priority date of the application of the patent against which they arise, whether there is a Grace Period or not.
- The overwhelming majority of respondents to the Tegernsee surveys in all three regions are opposed to exceptions to prior user rights being provided.
- Vast majority of respondents consider harmonisation of prior user rights per se to be important or critical. They consider harmonisation to be even more important if Prior User Rights is considered within the context of a Grace Period.

RECOMMENDATIONS

1. Harmonisation of Prior User Rights is necessary, either as an end in itself or as part of the harmonisation of the Grace Period.
2. The requirement of good faith should be maintained as it ensures that only genuine prior users are protected. The definition of this requirement may be clarified.
3. The scope of Prior User Rights should remain narrow so as not to encroach excessively on the patent holder's rights.
4. There should be careful consideration of the territoriality extent of prior user rights and to the definition of the 'right to continue to do' an act, especially whether this allows the prior users to improve or transfer their technology.

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