

HIGHER EDUCATION COMMENTS ON PRIOR USER RIGHTS

Background

One of the most contentious issues debated over the course of the effort to reform U.S. patent law was whether to expand the existing prior use rights, which were available as a defense against infringement of business method patents only. The higher education community expressed strong concerns about the proposed expansion of prior user rights to be available as a defense against infringement of all patents, while private sector groups argued for the need for a broad prior use defense, particularly if the U.S. were to move from a first-to-invent to a first-inventor-to-file system for determining patent priority. The America Invents Act (AIA) includes a set of prior user rights provisions that addresses the concerns raised by the higher education community while responding to the legitimate interests of private sector companies.

Historically, universities have opposed the inclusion of a broad prior use defense in U.S. patent law on the basis of both principle and impact. As a matter of principle, a broad exclusion from the assertion of patent rights would vitiate the fundamental purpose of patent policy to encourage innovation by granting exclusivity for the commercial use of a patented invention in return for providing the public a full and enabling disclosure of that invention. In terms of impact, an expansive prior use defense could seriously impair the ability of universities to license their patents into the private sector for development. Patents resulting from university research tend to be early-stage, high-risk patents, but those patents can also lead to highly innovative products and processes providing great benefits to society. The prospect of an expansive and expanding pool of trade-secret products immune from the assertion of patent rights would reduce patent certainty and discourage private sector companies from licensing university patents.

However, over the course of the more than six-year effort to reform U.S. patent law, the university community came to recognize the importance to some private sector companies of the availability of a prior use defense to patent infringement extending beyond the limitation to business method patents. In complex products and manufacturing processes, many containing hundreds or even thousands of patented components, it may not make sense to patent every component or process. Such products or processes can become vulnerable to a charge of infringement from a patent acquisition company, threatening an entire product based on an unpatented component. An appropriately structured prior user rights scheme could provide legitimate protection against such threats.

In contrast, a prior user rights scheme that is too expansive, enabling the application of prior user rights to trade secret products developed in temporal proximity to patented products, could in fact lead to patent-defeating products derived from prior disclosures of the patented invention. Such a prospect would be extremely damaging to the patent system. It would also be a powerful assault on academic publishing. One of the core missions of universities is the broad dissemination of the

results of research. This dissemination is accomplished primarily through publication in peer-reviewed journals and presentations at scholarly conferences. The grace period of U.S. patent law has enabled university researchers to fulfill the mission of dissemination through early disclosure of a discovery that the university may later decide to patent. But if that desirable early disclosure could lead to the development of a trade secret product immune from a patent on the invention disclosed, universities would necessarily discourage their researchers from making such disclosures, impeding the advance of knowledge and the public benefits deriving from it.

University Perspective

The America Invents Act (AIA) effectively balances the concerns and interests of universities and private sector companies with respect to the availability of a prior use defense to patent infringement. The Act addresses these concerns and interests while inhibiting the development of a massive pool of trade secret products immune from the assertion of patent rights, as well as the prospect that such products could be derived from early disclosures of discoveries for which patent protection will later be sought.

From a university perspective, the most critical provisions of the AIA prior user rights scheme are the following:

- all university patents are exempt from the assertion of a prior use defense, save those resulting from research that could not have been conducted with federal funds (a provision added to avoid providing the prior user rights exemption to patents resulting from research that involved the destruction of human embryos),
- because the exemption inheres in the patent, the protection against the assertion of a prior use defense extends to university licensees, thus mitigating the potential disincentive to license university patents,
- the product or process to which prior user rights may be applied must have been in commercial use at least one year before the effective filing date of a patent against which a prior use defense could be asserted; this one-year separation of commercial use from patent filing offers some protection against the prospect of trade secret products being derived from discovery disclosures and then utilized as a prior use defense,
- a product or process eligible for prior user rights must also have been in commercial use at least one year in advance of a disclosure qualifying for the one-year grace period; this extremely important provision effectively protects the university mission to disseminate broadly the results of university research.

Most countries operate under a first-to-file system for determining patent priority, and many of these countries have some form of a prior use defense. One of the most important provisions of the AIA is the change in U.S. patent law from a first-to-invent to a first-inventor-to-file patent priority system, accompanied, as noted above, by a substantial expansion of prior user rights. It will be important for the U.S. Patent and Trademark Office (USPTO) to examine in its study the

effect of prior user rights in other countries: how pervasive is the assertion of prior user rights, are there discernible impacts of these rights on the licensing of patents, to what extent are companies using a prior use defense to protect unpatented items from aggressive infringement claims by patent acquisition companies versus exploiting the availability of a prior use defense to develop trade secret products to defeat charges of patent infringement?

Conclusion

Prior user rights remains a concept uncomfortably arrayed against the Constitutional and public purposes of U.S. patent law, yet there is evidence that it can serve a legitimate purpose in protecting commercial products and processes from the non-productive practices that have arisen in the increasingly complex and litigious patent environment. An objective, thoughtful analysis of these issues by the USPTO in its Congressionally mandated study can provide valuable information and analysis for policy makers as the issue of prior user rights continues to be evaluated.

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