November 30, 2011

Via Electronic Mail: IP.Policy@uspto.gov

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
Mail Stop OPEA
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: Elizabeth Shaw

Re: Prior User Rights: Comments of the ABA Section of Intellectual Property Law

Dear Under Secretary Kappos:

The Section of Intellectual Property Law of the American Bar Association (“the Section”) welcomes the opportunity to respond to the Notice of Public Hearing and Request for Comments on the Study of Prior User Rights, published in the Federal Register of October 7, 2011. The views expressed herein have not been submitted to the ABA House of Delegates or Board of Governors, and should not be considered views of the Association.

The Section applauds the enactment of the Leahy-Smith America Invents Act (“the AIA”), and the expansion of prior user rights in section 5 of the Act. We are pleased to note that the expansion largely follows recommendations made by the Section in 2005, as set out in our “Section White Paper: Agenda for 21st Century Patent Reform.”

The Section recommendations that have been incorporated in the AIA include expansion of the rights to all categories of patented subject matter, limiting the rights to a personal defense for prior use activity in the United States with such activity tied to the filing date of the claimed invention, and providing that the rights are nonassignable except with a transfer of the associated business.

In this connection, however, the Section would be prepared to consider whether the new text in 35 U.S.C. §273(a) “consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process,” might operate at cross-purposes to the Section’s position on non-discriminatory access to prior user rights for all technologies. The quoted text does not appear essential to assuring a proper limitation on the scope of prior user rights, especially in light of the added clarity that might result were this language simply to be deleted from the new statutory text.

The full texts of the two policy statements adopted by the Section in 2005 are set out below:
Resolution TF-13A:

RESOLVED, that the Section favors in principle should the United States adopt a first-to-file system, the recognition of prior user rights for all technologies; and

SPECIFICALLY, the Section favors prior user rights, provided that as a minimum:
1. such rights shall be in the nature of a personal defense against a claim based on any patent alleged to cover an activity of the prior user;
2. the prior user activity began prior to the earliest filing date to which the patent is entitled and, at the time of said earliest filing date such activity had not been abandoned;
3. the prior user activity was not based on information obtained or derived from the patentee or those in privity with the patentee;
4. the prior user activity took place within the United States;
5. prior to said earliest filing date the prior user had demonstrated operability of the invention covered by the patent and had taken significant steps toward its commercialization; and
6. such rights shall be available only to the party performing the activity on which the defense is based and to those in privy with such party; and shall be nonassignable and nontransferable except with a transfer of that part of the business of the party to which the activity pertains.

Resolution TF-13B:

RESOLVED, that the Section supports, in principle, in the context of U.S. adoption of a first-inventor-to-file system, legislation expanding the subject matter eligible for “prior user rights” under section 273 of Title 35 to include all categories of patented subject matter, and

SPECIFICALLY, the Section supports enabling legislation that would permit commercial use (including substantial preparations for commercial use) of a patented invention to be recognized as a personal defense to patent infringement, if undertaken in good faith by a person who has reduced the invention to practice prior to the effective filing date of a patent.

Section 273 was enacted in 1999 to provide so-called "prior user" rights that exempt certain activities from infringement of a patent when based upon commercial use of certain inventions before the patent owner's applicable effective filing date (i.e., filing date for the patent, including any applicable priority date). However, in the final stage of the development of the legislation, an amendment was adopted to restrict prior user rights to methods of doing or conducting business. The Section believes that this was an undue limitation, and is pleased that the AIA appears to expand the defense to all patentable subject matter all technologies (subject to the above caveat relating to the “consisting of” clause), to provide a personal defense to a legitimate prior user who was not the first to file a patent application. The application of the defense to all classes of patentable subject matter is advantageous for all sizes of businesses that may not make the investment or have the resources to file patent applications and maintain patents on methods used in their businesses. The legislative history of the 1999 Act includes a good description of the balance struck in providing for a prior user right.

The title clarifies the interface between two key branches of intellectual property law – patents and trade secrets. Patent law serves the public interest by encouraging innovation investment in new technology, and may be thought of as providing a right to exclude other parties from an invention in return for the
inventor making a public disclosure of the invention. Trade secret law, however, also serves the public interest by protecting investments in new technology. Trade secrets have taken on a new importance with an increase in the ability to patent all business methods and processes. It would be administratively and economically impossible to expect any inventor to apply for a patent on all methods and processes now deemed patentable. In order to protect inventors and to encourage proper disclosure, this title focuses on methods for doing and conducting business, including methods used in connection with internal commercial operations as well as those used in connection with the sale or transfer of useful end results – whether in the form of physical products, or in the form of services, or in the form of some other useful results; for example, results produced through the manipulation of data or other inputs to produce a useful result. (Hon. Howard Coble, 106th Congress 145 Cong. Rec. E 1788).

The Section believes that there are additional improvements that should be made in the prior user rights regime. As amended by the AIA, section 273 provides that to prevail in the defense a prior user must have commercially used the subject matter at least one year prior to the filing date or date of public disclosure of the asserted patent. In our view, any commercial good faith use prior to filing or public disclosure should qualify for the defense. The limitation of the defense to a use only if it occurs one year earlier is too restrictive and unduly limits the defense.

Similarly, current law fails to recognize that substantial preparation for the commercial use of an invention, once completed, should serve to qualify the person undertaking the substantial investment as a prior user of the invention. Given the continuing practical necessity of an actual reduction to practice of the invention by the prior user (i.e., 35 U.S.C. §273(e)(2) continues to bar prior user rights based on derivation rather than the making of the invention by the prior user) and the required substantiality of any investment in a commercial use before triggering eligibility, a “substantial preparations” clause would best vindicate the underlying policy of balance between an inventor working to prior commercialize and an inventor seeking to patent. Thus, once the prior user reduces the invention to practice, substantial preparations for commercial use, rather than commercial use itself, should be sufficient for the operation of the defense.

Sincerely,

Robert A. Armitage
Section Chairperson
American Bar Association
Section of Intellectual Property Law