

Question Q228

National Group	Sri Lanka
Title	Prior User Rights
Contributor	John Wilson
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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.

In terms of the section 87(1) of the Intellectual Property Act No. 36 of 2003, (hereafter referred to as the “Act”):

“Where a person at the filing date or, where applicable, the priority date, of the patent application –

(a) was in good faith making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application;

(b) had in good faith made serious preparations in Sri Lanka towards the making of the product or using the process referred to in paragraph (a),

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.

Provided further, if the invention was disclosed under circumstances referred to in paragraph (a) or (b) of subsection (3) of section 64, he may prove that his knowledge of the invention was not as a result of such disclosure.”

The acts which allow the claiming of the benefit of this provisions are the acts of manufacturing a product and of using a process (and preparations for these acts), but not the acts of importing, offering for sale, selling, using, or stocking, of products since the aim of the provisions would appear to be to protect local industrial investment. However the rights derived from prior manufacture of the product or use of the process not only allow the beneficiary to continue these acts in Sri Lanka, but also to sell the products thus obtained and to exploit the patented invention in any other manner by performing the acts referred to in section 84, provided that this exploitation would be done with regard to a product manufactured or a process used in the country by the beneficiary himself. The commentary to the WIPO Model Law on Patents, the wording of the model provision of which is reflected in section 87 states that “In order words, it would appear that section [87] would not give the “prior user” the right to import the protected product and to put the product thus imported on the market; it gives him only the right to locally manufacture the protected product and to put the product so manufactured on the market.”

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 such empirical data available and the frequency or otherwise of the assertion of prior user rights in Sri Lanka is not known.

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?

Section 87(1)(a) of the Act provides *inter alia* that where a person at the filing date or, where applicable, the priority date, of the patent application-

(a) was in good faith making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application,

he shall have the right, despite the grant of the patent, to exploit the patented invention

(b) had in good faith made serious preparations in Sri Lanka towards the making of the product or using the process referred to in paragraph (a),

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.

Thus, on a plain reading of the wording of section 87(1) of the Act, it would appear that merely conceiving the embodiment would not be sufficient and that, at the least, serious preparations should have been made in good faith and that the product in question should be made, or the process in question should be used by the said person in Sri Lanka.

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?

On a plain reading of the wording of section 87(1) of the Act, it is implicit that there is no difference if the prior use occurred before the priority date or after the priority date.

Section 87(1) of the Act provides *inter alia* as follows:

“Where a person **at the filing date** [our emphasis] or, where applicable, **the priority date** [our emphasis] of the patent application-

(a) was in good faith making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application;

(b) had in good faith made serious preparations in Sri Lanka towards the making of the product or using the process referred to in paragraph (a),

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.”

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?

Section 87(1) of the Act provides *inter alia* as follows:

“Where a person at the filing date or, where applicable, the priority date, of the patent application-

(a) was in good faith making the product or using the process **in Sri Lanka** [our emphasis] which is the subject of the invention claimed in such application;

(b) had in good faith made serious preparations **in Sri Lanka** [our emphasis] towards the making of the product or using the process referred to in paragraph (a),

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.”

Thus, on a plain reading of the wording of section 87(1) of the Act, if a person has made the product or used the process or made serious preparations as aforesaid in a foreign country, such person could not claim a prior use right.

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?

It is arguably implicit in the concept of good faith that the person must not have derived the knowledge from the patentee or the predecessors of the patentee. However, there has not been any judicial consideration of this issue and there is no reported Sri Lankan case law on the issue.

Section 87(1) of the Act provides as follows:

“Where a person at the filing date or, where applicable, the priority date, of the patent application-

(a) was **in good faith** making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application;

(b) had **in good faith** made serious preparations in Sri Lanka towards the making of the product or using the process referred to in paragraph (a);

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.”

The last proviso to section 87 which provides as follows:

“Provided further, if the invention was disclosed under circumstances referred to in paragraph (a) or (b) of subsection (3) of section 64, he may prove that his knowledge of the invention was not as a result of such disclosure.”

provides support for the view that the person must not have derived the knowledge from the patentee since the proviso expressly permits the person to prove that his knowledge of the invention was not as a result of the disclosures referred to in section 64(3)(a) and (b).

Section 64(2)(a) states that prior art consists *inter alia* of everything disclosed to the public and 64(3)(a) and (b) provide that a disclosure made under 64(2)(a) shall be disregarded-

(a) if such disclosure occurred within one year preceding the date of the patent application and if such disclosure was in consequence of acts committed by the applicant or his predecessor in title

(b) if such disclosure occurred within six months preceding the date of the patent application and if such disclosure was by reason of or in consequence of any abuse of the rights of the applicant or his predecessor in title.

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

Yes. Section 87(1) of the Act provides *inter alia* as follows:

“Where a person at the filing date or, where applicable, the priority date, of the patent application-

(a) was **in good faith** [our emphasis] making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application;

(b) had **in good faith** [our emphasis] made serious preparations in Sri Lanka towards the making of the product or using the process referred to in paragraph (a),

he shall have the right, despite the grant of the patent, to exploit the patented invention:

Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka.”

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?

Section 87(1) (a) of the Act provides *inter alia* as follows:

“Where a person at the filing date or, where applicable, the priority date, of the patent application-

(a) was in good faith making the product or using the process in Sri Lanka which is the subject of the invention claimed in such application....

he shall have the right, despite the grant of the patent, to exploit the patented invention.

The concept of the embodiment of the patented invention contained in the question would have to be considered from the perspective of the distinction under Sri Lankan law between product and process patents.

Section 62(2) of the Act provides that an invention may be, or may relate to a product or process. Section 62(1) defines an invention as an idea of an inventor which permits in practice the solution to a specific problem in the field of technology.

For product patents, Sri Lankan law appears to contemplate that a prior user right to exploit could be asserted in respect of the invention. For process patents, Sri Lankan law appears to contemplate that a prior user right to exploit could be asserted in respect of the invention.

An invention could be incorporated in several embodiments.

It would therefore appear that the prior user right would extend to the patented invention.

However, there has not been any judicial consideration of this issue and there is no reported Sri Lankan case law on the issue.

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 to 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?

The first proviso to section 87(1) of the Act reads:

“Provided that the product in question is made, or the process in question is used by the said person in Sri Lanka”.

It may be argued that it is therefore only necessary that the prior user is, as at the date on which the prior user right is asserted, making the product or the process in question is used by the said person in Sri Lanka. It may also be argued that this wording does not imply that there should have been continuous use (or the necessary preparations of the user) by the prior user.

However, there has not been any judicial consideration of this issue and there is no reported Sri Lankan case law on the issue.

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

In terms of section 87(2) of the Act, “The right referred to in subsection (1) shall not be assigned or transmitted except as part of the business of the person concerned.”

It would therefore appear that a prior user right cannot be licensed but only assigned or transmitted.

Such assignment or transmission can only take place as part of the business of the person concerned.

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?

Section 87(2) of the Act provides as follows:

“The right referred to in subsection (1) shall not be assigned or transmitted except as part of the business of the person concerned.”

No exceptions or special provisions are provided for in regard to a prior right used by a company within a corporate group.

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

No.

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

Not applicable.

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

13. 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 any legal system, in order to balance the interests of a person asserting the prior user right as against the rights granted by the Intellectual Property Act to the patentee.

The Act follows in many instances the wording provided for in the Model Law on Patents of WIPO and in the commentary thereto states that “The acts which allow the claiming of the benefit of this provision are the acts of manufacturing a product and of using a process (and preparations for these acts).....since the aim of the provisions is to protect local industrial investment”. The protection of local industry of a developing country appears to be a desirable policy consideration.

In the light of the stage at which smaller developing nations, such as Sri

Lanka, find themselves, (with lower levels of awareness with regard to the need to protect IPR, less use of IPR and lower than average means to do so and relatively low awareness on patenting in general), it would likely be the case that many local inventors might not file patent applications for those reasons and the rights of those local inventors should be protected.

The Sri Lanka Group of AIPPI is aware that prior user rights are provided for by different national legislations and that such provisions in national legislation only have national effect; and is of the view that while national provisions on prior use rights have common ground, differences in regard to prior use rights amongst the different jurisdictions across the world would not serve the interests of potential rights holders due to the complexity of understanding the extent and scope of such varying rights. In particular it is likely that such differences would entail such potential rights holders having to incur extra expense to understand the laws of each jurisdiction and harmonization would be desirable in as much as it may reduce complexity and cost.

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

In the absence of a clear indication as to whose perception the question is concerned with, it is not possible to answer the question. Generally, dissemination of knowledge in regard to patent law is rather limited in scope and it is likely that the provisions of the Act relating to prior user rights are not known or the subject of widespread discussion and comment. Generally, in Sri Lanka, knowledge in regard to patent law is limited even in the case of those in the business community.

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?

Prior user rights could be “implemented” by a prior user (who is alleged to be infringing the patent of the patentee) against a patentee in the course of Court proceedings, and would be adjudicated upon by Court. Since prior users may be resource poor, and the process of adjudication in the adversarial system type of litigation in Sri Lanka practically compels litigants to retain lawyers and pay legal fees, this may not be the best manner of “implementation of prior user rights”. However, it is difficult to conceive of a different system. Non-court based solutions could be considered and studied further.

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:

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

Yes.

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

The approach in section 87 appears to fairly and reasonably balance the competing interests of the prior user and the patentee.

17. 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 approach in section 87 appears to be a reasonable approach.

18. 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?

Following the approach in section 87, no.

19. 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?

Following the approach in section 87, no.

20. 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?

Following the approach inherent in section 87, yes.

21. 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?

Following the approach in section 87, yes.

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

Following the approach in section 87, yes, such right should be assignable/transmittable but only as part of the business of the person.

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

Following the approach in section 87, no.

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”.