

Question Q228

National Group: Denmark
Title: Prior User Rights
Reporter:
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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 the Danish Patents Act there are two provisions of relevance. In the period before the priority date of the invention there is a prior user's right under article 4:

*"4.-(1) Any person who, at the time when the patent application was filed, was exploiting the invention commercially in this country may, notwithstanding the grant of a patent, continue such exploitation retaining its general character, provided that the exploitation did not constitute an evident abuse in relation to the applicant or his legal predecessor. Such a right of exploitation shall also, under similar conditions, be enjoyed by any person who had made substantial preparations for commercial exploitation of the invention in this country.
(2) The right provided for in subsection 1 shall only be transferred to others together with the business in which it has arisen or in which the exploitation was intended."*

If the use occurs in the period between the priority date and the time when the patent application is made available to the public it is possible to request a compulsory license in accordance with article 48:

"48.-(1) Any person who, at the time when a patent application was made available to the public, was exploiting the invention for which the patent is applied for commercially in this country may, if the application results in a patent, obtain a compulsory license for the exploitation, provided that exceptional circumstances make it desirable, and he had no knowledge of the application and could not reasonably have obtained such knowledge. Such a

right shall also, under similar conditions, be enjoyed by any person who had made substantial preparations for a commercial exploitation of the invention in this country.

(2) Such a compulsory license may include the time preceding the grant of the patent.

(3) The Minister of Business and Growth may provide that, for the purposes of the provision of subsection 1, exploitation of the invention in another country shall be equivalent to exploitation in this country. Such a provision may be made subject to reciprocity."

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?

Prior user rights are very seldom used in Denmark. There is reported one case from the midst of 1960's and to our knowledge prior user rights have not been used in any decision since then. The Group can, of course not, know to what extent prior user rights have been used in settlement negotiations.

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?

In accordance with article 4 the prior use must have been a commercial exploitation of the invention. It is a condition that the exploitation does not constitute an evident abuse in relation to the applicant or his legal predecessor. Substantial preparation of commercial exploitation of the invention is also sufficient in order to be entitled to a prior user's rights. Setting up a production facility without having actually started the production will probably be enough. Importation is also sufficient. If a certain development has been substantial it might give basis for a prior user's rights under article 4, section 1, second sentence. The same is the case is for drawings.

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?

The answer to the question is yes. Before the priority date the prior use can establish a prior user's right. In the period between the priority date and the time when the patent application was made available to the public - which is normally 18 months from the priority date - the use can be the basis for a compulsory license. In order to be entitled to a compulsory license, it is a condition that there are exceptional circumstances which make it desirable. This would be the case, if considerable values are at stake, for instance if the exercise of the invention has started and a termination of for instance a production will cause considerable values to be lost. Also in this case substantial preparations for commercial exploitation of the invention can be basis for a compulsory license. It shall

be noted that the prior user will have to pay a license the amount of which will be decided by the court.

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?

The answer to this question is yes.

The actual use must take place in Denmark, whereas the substantial preparations might have taken place in a foreign country with intentional use in Denmark.

The former article 48 concerning compulsory license had the same condition as article 4, that is, that the exploitation of the invention should take place in Denmark. In 1992 article 48 was changed to the effect that exploitation of the invention in another EU or EEA country could also be a basis for a compulsory license. This change was made after a request from the EU Commission. However, article 4 concerning the prior use before the priority date was not changed. In accordance with this rule it is still a requirement that the prior use must have been exercised in this country. However, it is argued that the article must be interpreted in the same manner as article 48, that is to the effect that a prior use within EU and EEA countries will also be sufficient for a prior user right. There seems in later literature to be an acceptance of this point of view but it has not been confirmed by any court decisions.

Prior user rights have not been regulated in the agreement concerning the UPC. Article 28 refers to the prior user right in the different states and the question about territorial limitation or extension does not seem to be addressed.

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?

Yes, section 4 provides that the exploitation must not constitute an "evident abuse" in relation to the applicant and section 48 that the prior user "had no knowledge of the application or could not reasonably be expected to have such knowledge". The term "derivation" is special to AIA and is linked to the maintenance of a one year grace period.

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

"Good faith" is not a legal requirement but the two conditions mentioned in the answer to question 6 are clear examples of "bad faith".

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 user right is limited to "the general character of the prior exploitation", i.e. in a qualitative respect. The overlap with the patent application is purely accidental and any unexploited embodiment in the patent application cannot be the subject of a prior user right. It is assumed that a certain further development and modification of the relevant embodiment in view of the general technical development might be permitted according to the circumstances (reference is made to the common Nordic preparatory work "Nordisk Utredning", NU 1963:6, p.158).

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?

Yes, the law stipulates a use at the time of filing of the patent application (Danish Patents Act §4, section 1, 1st sentence). This is seen as a requirement for a "somewhat continued activity", where a temporary interruption is not enough to annihilate the prior user right. However, a permanent termination of the activity prior to the filing/priority date also annihilates any prior user right (see NU 1963:6, p. 157). The law also provides for acquiring a prior user right on the basis of necessary preparations of the use under corresponding conditions (Danish Patents Act §4, section 1, 2nd sentence). A factual distinction between ongoing and terminated activity would be considered on a case-by-case basis (see NU 1963:6, p. 157).

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

Yes, the prior use right may only be transferred to others together with the company where the prior user right originated or within which the use was intended (Danish Patents Act section 4, par. 2). The prior user right cannot be licensed (see e.g. Lindgreen/Schovsbo/Thorsen, "Patentloven" with comments, 2012, p.199).

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?

Yes, see reply to question 10. It is not necessary to also transfer all other activities of the business entity in question (see NU 1963:6, p. 158) as long as a division and transfer of business activities can be considered as "natural and adequate" (see e.g. Lindgreen/Schovsbo/Thorsen, "Patentloven" with

comments, 2012, p.199). The prior user right thus follows the relevant business entity/activities and cannot itself be divided, e.g. between a plurality of successors.

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

No. It may be noted that private use does not establish a prior user right.

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

There are no particular administrative requirements. Prior user rights originate automatically by the prior use itself. Disputes are to be decided by the relevant court (see e.g. Lindgreen/Schovsbo/Thorsen, "Patentloven" with comments, 2012, p.199).

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

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 limited prior user right is desirable from the point of view of a safeguard for anyone who had commercial activities or were engaged in serious preparations thereof before the filing/priority date.

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

Probably of limited practical value but not possible to establish.

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?

With reference to the answer to question 5 we think that prior user's rights under article 4 and compulsory license under article 48 expressly must have the same territory.

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:

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

Yes, harmonization is highly desirable in order to be of any real value.

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

The use has to be commercial – private use should not be covered. However, substantial preparations for a commercial use should also be covered.

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 critical date should be the priority date.

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?

A temporary disruption of the use should not annihilate the prior user right, but a permanent disruption of the prior use before the priority date would entail abandonment of the prior user right.

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?

The territorial scope of a prior user right should be regional covering a common economic community, such as the EEA.

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?

Evident abuse should not give rise to a prior user right.

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?

The prior user right should be limited from a qualitative aspect (but not a quantitative). A prior user right should not be based on anything covered by the patent, but only on a continued use of what had been commercially exploited before the priority date.

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

Yes, together with the company.

Should there be any exceptions for any specific fields of technology or types of entity

with regard to prior user rights?

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”.