

America Invents Act

Prior User Commercial Rights

Prior to the AIA, Section 273 provided a defense to business method patents only. Now, Section 273 provides an expanded defense based on earlier commercial use of a process or instrumentality used in a manufacturing or other commercial process. 35 U.S.C. § 273(a). Additional commercial uses include for premarketing regulatory review and for continued, noncommercial use by nonprofit entities. See 35 U.S.C. § 273(c).

Requirements to use defense

Assertion of the defense is available for patents issued on or after September 16, 2011, and requires showing, by clear and convincing evidence,

(1) good faith, commercial use of the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use, and

(2) that such commercial use occurred at least 1 year before the earlier of either—

(A) the effective filing date of the claimed invention; or

(B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under Section 102(b).

35 U.S.C. § 273(a).

Note that the exceptions from prior art under 35 U.S.C. § 102(b) refer to the first inventor to file exceptions that become effective on March 16, 2013. That is, disclosures made before the effective filing date of the claimed invention, either by the inventor or by derivation directly or indirectly from the inventor.

If the requirements are met, can I qualify for the defense?

Yes if...

- the person who performed or directed the performance of the commercial use asserts the defense, or
- an entity that controls, is controlled by, or is under common control with such person, asserts the defense

But there are limitations and exceptions...

Transfer – right can transfer to another person only as ancillary and subordinate part of good-faith transfer unrelated to the defense, but limits the defense to sites in use before the later of effective filing date or date of transfer

Derivation – defense unavailable if derived from patent or person in privity

Abandonment of use – limits activities to establish defense to those actions taken on or after abandonment of commercial use

University ownership – defense unavailable if asserted patent was owned or subject to assignment to university or tech transfer arm when invention made, *except* for inventions the Federal Government cannot fund (e.g., those involving destruction of human embryos)

Additional considerations

The prior user rights defense provided by Section 273 should not be pled lightly. Failure to demonstrate a reasonable basis for asserting the defense opens the door for the court to award attorney fees under 35 U.S.C. § 285. And, the defense neither operates by itself to invalidate the asserted patent under 35 U.S.C. §§ 102 or 103, nor does it give the alleged infringer a general license under all claims of the asserted patent.

Please contact Jeremiah Frueauf (jfrueauf@skgf.com) or Lori Gordon (lgordon@skgf.com) with any questions.