

JAPAN INTELLECTUAL PROPERTY ASSOCIATION

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November 8, 2011

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Alexandria, Virginia,

Re: JIPA Comments on the Study of "Prior User Rights"

Dear Under Secretary Kappos:

We, the Japan Intellectual Property Association, are a private user organization established in Japan in 1938 for the purpose of promoting intellectual property protection, with about 900 major Japanese companies as members. When appropriate opportunities arise, we offer our opinions on the intellectual property systems of other countries and make recommendations for more effective implementation of the systems. (<http://www.jipa.or.jp/english/index.html>)

Having learned that "The Study of Prior User Rights", published by the United States Patent and Trademark Office (USPTO) in the Federal Register, Vol.76, No.195, on October 7, 2011. We would like to offer our opinions as follows. Your consideration would be greatly appreciated.

JIPA again thanks the USPTO for this opportunity to provide these comments and welcomes any questions on them.

Sincerely yours,

(Kenji Koumoto)

President

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JAPAN

JIPA Comments on the Study of Prior User Rights

We believe the prior user rights is an important mechanism under first-to-file (first-to-invent) system. Companies protect their business activities with technology assets not only by patents and trade secrets under the system. In case that a third party files an application claiming subject matter directed to the technology assets that companies has protected by their trade secrets, prior user rights will be important in order for them to continue to do business using the technology assets. Accordingly, we welcome the expansion of scope of prior user rights in the America Invents Act.

In view of the progress of global business, we expect harmonized system and its operation. Listed below are comments from Japanese companies based on their experiences. We expect the prior user rights to accommodate the needs of industry user.

- **Preparatory Stage** - "Commercial Use "under Section 273 of title 35 appears to require "actual" use of invention. We believe that a person who is in the preparatory stage before the actual use of invention should also be entitled to a defense under the prior user rights. For example, a person in good faith who already invested in building the manufacturing facility, even if it was under construction at the time of the critical date, should also be protected.

- **Clear Guideline** - We expect that the guideline should be provided to the public in order to clarify the standard of granting the prior user rights in implementing the prior user rights. The Japan Patent Office published a guideline for utilization of prior user rights in Japanese patent system. It is useful for us because the prior user right system seemed to be difficult to use. We hope such guideline for prior user rights in the US patent system. We expect following items to be made clear in such guideline;
 - **The change in the scope of use.** Section 273(e) (3) states that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter. We expect the guideline to further explain the examples of acceptable change of uses and whether the additionally built manufacturing facilities are protected under the rights.
 - **Threshold amount of required use.** For example, when the manufacturing facility was still under construction, or only a few commercial samples were delivered prior to the patent application filing date, whether such person shall be protected under the prior user rights.
 - **Restriction on sites.** When the prior user rights were transferred with the enterprise or the line of business, the Section 271(e)(1)(B)

restricts the sites of use. The guideline should provide the example of restriction on sites, for example whether the use is limited to the exact location, to the same facility or to the manufacturing line.

- **Evidentiary material.** Examples of materials to be kept in order to prove the prior user rights.
- **Abandonment of Use.** Examples of the "Abandonment of use" under Section 273 (e) (4) to lose the prior user rights.
- **Subsidiary or Affiliated Corporation of the prior user.** Examples of an "entity that controls, is controlled by, or is under common control with" prior user right holder Under 273(e)(1)(A).

(EOD)