



Balancing Patent Rights : Toward Patent "Fair Use"?

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Outline

- I. Need for Balances in Patent Law
- II. Available tools for balancing
- III. “Fair Use” in Patent ?
- IV. Concluding Remarks



I. Balance?

- Inventor
- Right holder
- Licensor
- Producer
- Seller
- Employer
- Private/ Individual
- Firms / Legal person

- For profit / Commerce

- Developed countries
- Investor
- Inventor

- Users
- Infringer (Right users)
- Licensee
- User
- Buyer
- Employee
- Public (Domain)
- Natural persons (independent inventors, users, patients)
- Not for profit / non - commercial
- Developing countries / LDCs
- (Inventors)
- Helpers (assistants...)

I. Balance International Dimension

- Access v Exclusion / Preservation of first mover monopoly
- Development (Knowledge producers v users)
- Controversy of TRIPs, BIT, FTAs
 - Trade concern v Non trade concerns)
 - Net Knowledge goods Exporters v Importers
- Norm Harmonization v National Policy Space

Why Problematic

- Economic growth and conditions of trade are fluid and dynamic
- Heterogeneous, Diversified Interests of DC/LDCs and difficulty of coordinating multiple factors



I. Need for Balance : Patent Crisis ?

1. “Patent Crisis”
 - “one size fits all” problem : new technology – new subject matters
 - Industry and technological specificity e.g. Burk & Lemley
 - “Patent quality” questions
 - Subject matter of protection is increasingly informational and intangible (i.e. SW, Genes, Diagnostic methods): no correlating – physical objects
 - Too many rights & Too broad or Too narrow scope of protection (Fragmentation, Anti-commons, Patent thickets etc.)

Why problematic? :

- Upstream Patent stopping use of invention in downstream products
- Downstream Users & End Users
- Accumulated doctrinal changes in the patent law (i.e. indirect infringement liability, DOE to a degree) resulted in rights to increasingly include the conducts of end-users
- In contrast, limiting principles for end users are not well developed as end user (of a product) was considered minor stake holder

I. Need for Balance: Changing Innovation Paradigm

2. Changing Innovation Paradigms: Collective and Collaborative

- “User Innovation” “De-centralised Innovation” “Network Innovation”
- Open & Collaborative Innovation (Chesbrough)
 - a process of innovation that utilizes innovation resources outside the boundary of firms

Why Problematic?

- Multiple sources of inventive efforts
- Multiple stake holders and claim holders in the initial phase of innovation/invention
- Initial inputs from collaborators: but
 - Doctrinal elements in patent law tend to concentrate interests in one entity (tangible property analogy)
 - Multiple sources of inputs are dealt as a governance problem predating the grant of right



“Open” Innovation and IP

OI research project findings

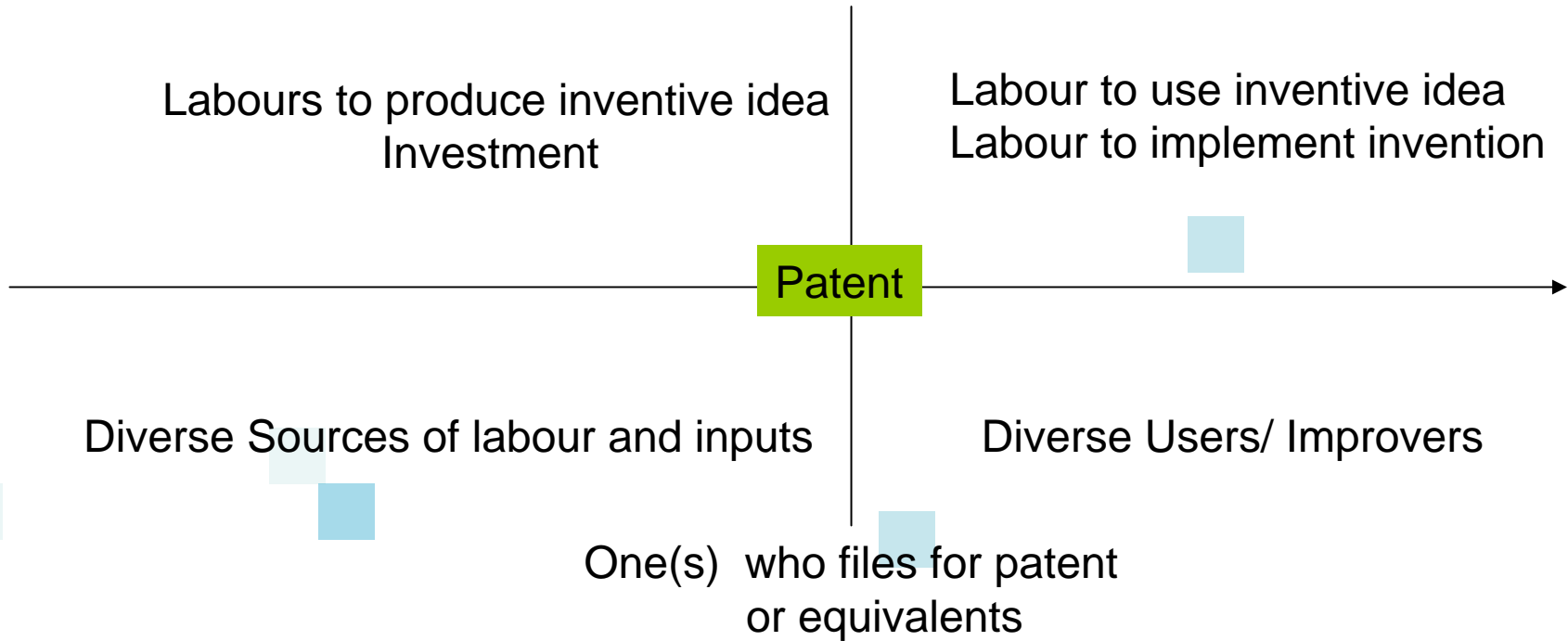
- Where “end users” include commercial for profit firms,
 - OI/or Collaborative Innovation nearly always suffer from initial contributors against the outcome IP owner “capture”
 - Bias on the value of own contribution to the collaborative outcome, Concerns for IP “Contamination”
- Psychology of the contributors : “own” idea
 - Prevents meaningful collaboration among commercial firms,
 - in the absence of defence (contracts, norms or in law)





OI: a theory

- multiple sources of “labour”





Research Question

- What doctrines in patent law acknowledge diverse inputs and “collaboration” and balances the interests of the “collaborator” with “patent filer”?





II. Tools for Balancing

Pre-grant stage

- General
 - Patentability (subject matter)
 - Degree of Disclosure
- Collaborator's interest
 - Novelty : Grace Period
 - Novelty : Definition and scope of Prior Art
 - "Inventorship" or "Patent holder" (joint inventor, joint ownership claims)

Post-grant stage

- General
 - Scope (Claim interpretation : See Prof Adelman's presentation)
 - Compulsory Licensing
- Collaborator's interest
 - **"Own" use**



II. Balancing tools - “Own” Use ?

- Own commercial use of a collaborator (non named inventor)?
- Independent Inventor Use of his Invention?
- Downstream Commercial Use based on Upstream Invention ?
- End User’s use of information of a product & improvement?
(User Innovation including, subcontractors and suppliers process innovation related to a product innovation)



II. Use in Patent Infringement - 1

- Using Patent – Patent Infringement
- Enumerated Conduct of Use (i.e. make, use, sell...)
 - + Scope of Right
 - + Territory of Grant
 - + Within the lifetime of a patent, subject to L&E
 - a. work the invention (make, use, sell...) & license
 - b. license (“troll”)
 - c. reserve (non-working, defensive portfolio)
- Doctrinal differences as to conduct, “object of right”, and “intent” of the infringer
 - Direct Infringement → Objective Enquiries
 - Indirect Infringement → Part plus Subjective Enquires (Knowledge/Intent)



II.A. Limiting principle in Patent Infringement

Doctrinal Nature of Patent Infringement

- Objective Structure: Patent infringement liabilities are doctrinally structured to something like a “strict liability”
 - All or nothing
 - No De Minimis (minimum use does not amount to infringement of right) exception

- No question as to who uses (only look at objective “types of conduct” in terms of patent claims)

- No question as to the economic character and purpose of use in principle (only wilfulness, knowledge& intent of the infringer)
 - No nuanced adjustment as to the quality of infringing use
 - Nuanced adjustment has to be done through using “limitations & exceptions” in patent infringement



II.A. L&E to Patent Infringement

■ Limitation

- In principle, where the right does not reach
- Fundamental limit of patent law and right

Ex Territorial limitation,
Temporal limitation (duration)
Subject matter
Exhaustion

■ Exception

- Conduct excused which would have been part of the infringement
- Positive Law Based Excuses
- Policy consideration

Ex.

- “Statutory license”
- prior user right/ prior use defence
- Bolar exception, research and experimental use exception, - -
- “other uses without authorization”



II.B L&E – Legislative Examples

JP

- Own use
- General Prior User Right defence
- Research Experimental use

- Intermediate/ End User
- Use “not as a business” is generally excused
- Product users : Exhaustion
- Manual Preparation of medicine

US

- Own use
- Prior Use Defence - only in the case of business method patents
- research and experimental use for regulatory review (not really an end user)

- Intermediate/ End User?
- No specific exemption
- Exhaustion



Own Use defence - JP

- §69.1. Research Experimental Use
- §69.3. Manual Preparation of Medicine
- §79: Prior User Right
- §80: Working of Invention prior to Invalidation

JP : Research and Experimental Use

- Limited to uses
 - to confirm the technical effect of a patented invention as claimed,
 - to invent around (and improve the technical effect of a patented invention)
 - to test for regulatory approval to market after patent expiration (JP Supreme Court H11,4,16)
- Not included uses are
 - to confirm the economic effect of an invention to test the market

→ Narrow and not a limitation for general research uses



JP Prior User Right

- Prior independent user and his “licensee”, or buyers
 - Without knowledge of the patent
 - May include genuine inventor (in case of fraudulent patent filing)
- Working of the invention at the time of filing
 - Had already used the invention in the business or
 - Started to substantively prepare the business of using the invention (Supreme Court, Showa 61.10.3)
- Prior users product/process should be identical to or within the technical scope of the patent
- Non exclusive licenses granted limited within the scope of “working” prior to the patent filing (i.e. selling of the product cannot be expanding making and selling of the product)



III. Fair Use in Patent right?

- Frustration at the absence of prior user's right /defence in US patent Law
- Fair Use?
 - Use without authorization
 - Common law allows it as a mean to avoid infringement claim (“defence”)
 - For uses that may or may not fall squarely within the scope of a right
 - Both exception and limitation?
 - may allow nuanced adjustment of right depending on the input from the user, and character of use

III. A. Core concepts (US Law)

1. Five factor Proposals (O'Rourke, 2000)

- The nature of advance represented by the infringement
- Purpose of use
- Nature and strength of market failure that prevents licensing
- Impact of the use on the patentee incentive and social welfare
- The nature of patented invention

2. Independent Inventor Defence? (Lemley (2007) Proposal)

- Should Patent infringement require proof of copying?
- Copying as an element of wilful infringement
- Expand prior user rights beyond BM
- Simultaneous invention as a secondary consideration of obviousness
- Independent invention as a factor in injunctive relief



III. Toward Fair Use ?

- Fair Use 2.0 (Strandburg 2010)
- Excusable licensing Failure
 - under served market
 - anti-patent refusal to license to hold up
 - anti-commons hold up
- Substantial Improvement (and/but no blocking patent)
- Proven redundancy of patent incentive (alternative innovation paradigm)
- Nature of the infringer (known copyist, independent inventor?)

III. B. Balancing with Fair “own use” defence?

- Own commercial Use of a collaborator?
- Independent Inventor Use of his Invention?
- Downstream Commercial Use based on Upstream Invention ?
- End User’s use of information of a product & improvement? (User innovation)

- Are the four conducts need to be allowed from policy concerns? (yes)
 - “fair” treatment of initial input and decentralised sub-patentable improvements and contribution toward the output
- Are the current L&E in patent law sufficient to allow the above four conduct to be excused from infringement liability? (no)
 - Prior User Right (JP) does not excuse knowing collaborator who made contribution to the invention
 - R&E exception (JP) is limited in scope
- Fair use may be fair

III. Own Use Defence or as Fair Use?

- Are the four conducts need to be allowed from policy concerns? (yes)
 - “fair” treatment of initial input and decentralised occurring sub-patentable improvement of the output

- Are the current L&E in patent law sufficient to allow the above four conduct to be excused from infringement liability? (no)

- If not, what proposals of reform can be made? (fair use in patent law or own use defence in limited circumstances)

III.C. Own Use – Justification “Own”

- Foundation for justifying “own” use defence

- “natural right” (!) based

R.A. Macfie (1864) – If there were any “natural rights” in connection with inventions it would be inventor’s right to use his own invention

- To complement first connection thesis under the first to file rule esp. without general grace period, it is socially desirable to encourage independent inventor to continue to invent and use the invention (as this may lead to another further path of invention)
- Especially in the new subject matters of protection (as rule of game changes in the middle of innovative paths)
- In the end, right instrumentalism (patent right < natural right of inventor over his own person and labour < fairness)

III.D Toward Creation of Right of “Own” Use

- Who?
 - Independent Inventors, Collaborator, Participatory User
- Uses with the knowledge of the patented invention
- For both commercial and non commercial use
- Non transferable, personal and statutory license
- Conditions?
 - Proof of (sub-patentable and substantive) inventive input before the filing of patent
 - Clear lack of informed consent / or Proof of contractual failure (agreement toward the outcome was difficult or impossible to obtain)

IV. Concluding Remarks

Balancing patent need to resolve the path of solution also.

- Substance & Institutions (Who should solve? Who participate in the process: Multi-agential approach
- Pre-grant problems
- Coordination and governance of initial claim holders (e.g. collective ownership model, co-inventor, collaborator's right of own use) : Lee et al. paper

Law, Court & Private Ordering

- Post-grant problems
- Coordination and governance structure of multiple rights (e.g. collective rights management, licensing communities & platforms, pools)

(Admin &) Private Ordering → may not work with OI

- End-user consideration (e.g. right of the end user thru interpretation of current limitation and exception rule in patent)

Law & Court)



Thanks for listening!

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