

Where Are All the Prior Users in Patent Cases?¹

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For more than 200 years, patent law denied a patent to an inventor if someone else had invented the same invention first, whether or not they published the invention or sought a patent themselves. If you weren't the first to invent, you weren't entitled to a patent.³

That changed in 2011. For the past thirteen years, U.S. law has operated under a "first inventor to file" system, in which the law denies a patent only if someone else has filed their own patent application or published or disclosed the invention. That change leaves open the possibility that one person can invent something, use it in their business, and lose the right to use their own invention to someone who later invented and patented the same idea.

To mitigate the potential unfairness of this change, Congress enacted a "prior user right." While the law no longer invalidated patents because someone else had

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2 William H. Neukom Professor, Stanford Law School. Thanks to Margo Bagley, Colleen Chien, Chris Cotropia, Rose Hagan, Tim Holbrook, Brian Love, Robert Matthews, Lisa Ouellette, Jason Reinecke, and Michael Risch for comments on a prior draft and Jack Gleiberman for research assistance.

3 This is a gross oversimplification of the pre-AIA rule. The complications are discussed at *infra* notes 11-17 and accompanying text.

invented them first, it provided a defense to patent infringement for those who were already using the invention if they met certain requirements.⁴

The adoption of a prior user right in U.S. patent law was a big deal, largely aligning the U.S. with the rule in other countries. Simultaneous or near-simultaneous invention is extremely common,⁵ so prior use should be as well. Legal and economic scholars had debated the adoption of a prior user right, viewing it as having great consequences (for good or ill) for the scope of patent rights.⁶ And the enactment of the prior user right was viewed as an important counterweight to the elimination of old section 102(g), which denied patents if another had invented first and which was the subject of much consequential litigation in the past several decades.⁷

⁴ 35 U.S.C. § 273.

⁵ Mark A. Lemley, *The Myth of the Sole Inventor*, 110 MICH. L. REV. 709, 711-12 (2012); Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. REV. 1421, 1436-39 (2009).

⁶ Carl Shapiro, *Prior User Rights*, 96 AM. ECON. REV. 92, 95 (2006); Stephen M. Maurer & Suzanne Scotchmer, *The Independent Invention Defence in Intellectual Property*, 69 ECONOMICA 535, 540-42 (2002); Kyla Harriell, *Prior User Rights in A First-To-Invent Patent System: Why Not?*, 36 IDEA 543, 550 (1996); Samson Vermont, *Independent Invention as a Defense to Patent Infringement*, 105 MICH. L. REV. 475, 483-84 (2006); cf. Mark A. Lemley, *Should Patent Infringement Require Proof of Copying?*, 105 MICH. L. REV. 1525, 1527-32 (2007).

⁷ See *Peeler v. Miller*, 535 F.2d 647, 654 (C.C.P.A. 1976) (failure to file a patent application may constitute abandonment, suppression, or concealment); *Corona Cord Tire Co. v. Dovan Chem. Corp.*, 276 U.S. 358, 372-73 (1928) (same for failure to describe the invention in a publication); *Lutzker v. Plet*, 843 F.2d 1364, 1367 (Fed. Cir. 1988) (same for failure to publicly use); *Fujikawa v. Wattanasin*, 93 F.3d 1559, 1567 (Fed. Cir. 1996) (setting forth standard for intentional suppression or concealment); *Paulik v. Rizkalla*, 760 F.2d 1270, 1273-76 (Fed. Cir. 1985) (holding that the inference of suppression or concealment from a four-year delay between reduction to practice and the filing of a patent application was overcome by the first inventor's resumption of activity before the second inventor's date of conception).

But a surprising thing has happened in the last thirteen years: virtually nothing. Only four decisions in those thirteen years involve substantive claims of prior use. All are by district courts, and two of those four decisions were made on largely procedural grounds.⁸ Only a single case actually finds prior use by another under the statute.

I document the surprising absence of prior user right litigation. I consider a number of reasons for the missing caselaw, none entirely satisfactory. I consider and (mostly) reject explanations that are a function of when and how cases are litigated, the difficulty of detecting non-public uses, and the existence of prior art as an alternative to the defense. Nor does the explanation seem to be that simultaneous use without publication is no longer as important as it once was. Instead, the real reason no one uses the prior user right is likely a function of the significant limits Congress put on the exercise of the right. It may be time to revisit those limits.

I. Prior Invention and Prior Use

Before the passage of the America Invents Act (AIA) in 2011, the United States operated under a "first-to-invent" system for resolving patent priority disputes. Priority was awarded to the first person to invent, rather than the first to file a patent

⁸ There are two other cases that reject a defense because it was not actually pled. *See Stoller Ent., Inc. v. Fine Agrochemicals Ltd.*, 2023 WL 8283633 at *13-14 (S.D. Tex. Nov. 30, 2023) (rejecting 273 defense because it was not timely raised); *Allfasteners USA v. Acme Operations Pty.*, 2021 WL 4027738 at *15 (C.D. Cal. May 25, 2021) (finding defense forfeited because it was not included in the answer and the deadline to amend pleadings had passed). I exclude those from consideration here.

application.⁹ Many of those disputes involved two parties who had both submitted patent applications. When two parties claimed the same invention, the U.S. Patent and Trademark Office (PTO) would conduct an "interference" proceeding to determine who invented first, though a significant percentage of the overlapping claims were not caught at the PTO and ended up in court instead.¹⁰

Not all priority disputes involved two parties who both sought patents, however. Under section 102(g)(2), anyone could invalidate a patent by showing that someone else in the U.S. had invented it first and had not abandoned, suppressed, or concealed it, even if they did not file their own patent application.¹¹ That included companies who implemented the technology but did not seek a patent and inventors who were on the road to publishing their work but hadn't gotten there yet. And indeed many patents were challenged on those grounds.¹² That is not surprising, given that significant

⁹ 35 U.S.C. §102(g).

¹⁰ Mark A. Lemley & Colleen V. Chien, *Are the U.S. Patent Priority Rules Really Necessary?*, 54 HASTINGS L.J. 1299, 1330-31 (2003).

¹¹ 35 U.S.C. §102(g)(2).

¹² The Federal Circuit decided thirty cases applying section 102(g)(2) since the statute was renumbered in 1999 to include that designation, the vast majority of them between 2001 and 2013, before the law changed (a period of time comparable to the time section 273 has now been in force). *See, e.g.,* Solvay S.A. v. Honeywell Int'l, Inc., 622 F.3d 1367, 1377 (Fed. Cir. 2010) (holding that § 102(g)(2) did not apply because defendant did not conceive of the subject matter of the invention, and was thus not the first inventor); Dow Chem. Co. v. Astro-Valcour, Inc., 267 F.3d 1334, 1340-41 (Fed. Cir. 2001) (holding that prior inventor need not appreciate the patentability of the invention to take advantage of § 102(g)(2)); Invitrogen Corp. v. Clontech Lab'ys, Inc., 429 F.3d 1052, 1066 (Fed. Cir. 2005) (holding that an unrecognized invention does not count as a prior invention under § 102(g)(2)). Westlaw shows 188 federal cases with some substantive discussion of 102(g)(2), but I have not investigated each of them to ensure they are all substantive rulings on 102(g)(2) prior invention.

evidence demonstrates that simultaneous or near-simultaneous invention is extremely common.¹³

These rules created a complex and often cumbersome process for determining priority, involving detailed scrutiny of the inventors' activities and documentation. To resolve priority disputes, courts had to consider four different doctrines:

- **Conception:** Who was first to form a definite and firm idea of the complete and operative invention.
- **Reduction to Practice:** Who actually produced a working prototype (actual reduction to practice) or filed a patent application that adequately described and enabled the invention (constructive reduction to practice).
- **Diligence:** The inventor who was first to conceive the invention but last to reduce to practice must demonstrate diligence in reducing the invention to practice from just before the other party's conception date to their own reduction to practice.
- **Abandonment, Suppression, or Concealment.** A party's dates of conception and reduction to practice were largely disregarded if they abandoned, suppressed, or concealed the invention.¹⁴

Proof of each of these things was challenging. Inventors had to provide corroborated evidence of their invention and dates of conception and reduction to practice. Self-

¹³ Lemley, *supra* note 5, at 711-12.

¹⁴ 35 U.S.C. §102(g) (2010).

serving declarations were usually insufficient without corroborating evidence.¹⁵ Courts considered evidence such as lab notebooks, correspondences, and prototypes.¹⁶

Disputes were expensive, and often found that the first inventor was not the first to file a patent application.¹⁷

The America Invents Act transitioned the U.S. to a "first-inventor-to-file" system, simplifying the process and aligning it more closely with international patent norms.¹⁸ But in moving to a first to file system, the law created a stronger preference for filing patent applications than existed in prior law. While the categories of prior art remain basically the same in the new law,¹⁹ a patent application is no longer rejected merely because someone else invented it first. Instead, only if that prior inventor also filed their own patent application first will their prior invention bar someone from getting a patent.

¹⁵ Price v. Symsek, 988 F.2d 1187 (Fed. Cir. 1993) (holding that uncorroborated testimony of an inventor is not sufficient to establish a conception date); Allergan, Inc. v. Apotex Inc., 754 F.3d 952, 968 (Fed. Cir. 2014) (same); Medichem, S.A. v. Rolabo, S.L., 437 F.3d 1157, 1169-70 (Fed. Cir. 2006) (same for reduction to practice).

¹⁶ Sandt Tech., Ltd. v. Resco Metal Plastics Corp., 264 F.3d 1344, 1350 (Fed. Cir. 2001) ("It is well-established in our case law that a party claiming his own prior inventorship must proffer evidence corroborating his testimony."); Medichem, S.A. v. Rolabo, S.L., 437 F.3d 1157, 1173 (Fed. Cir. 2006) (recognizing that an "unwitnessed" notebook by a noninventor is of minimal corroborative value); Medtronic, Inc. v. Teleflex Innovations S.À.R.L., 68 F.4th 1298, 1306-07 (Fed. Cir. 2023) (holding that testimony and purchase orders concerning prototype sufficed to corroborate reduction to practice date).

¹⁷ Lemley & Chien, *supra* note 10, 1307-10.

¹⁸ 35 U.S.C. §102. For discussion of the new rules, see Robert P. Merges, *Priority and Novelty Under the AIA*, 27 BERKELEY TECH. L.J. 1023 (2012); Mark A. Lemley, *Does "Public Use" Mean the Same Thing It Did Last Year?*, 93 TEX. L. REV. 1119 (2015).

¹⁹ See *Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.*, 139 S. Ct. 628, 633-34 (2019); Merges, *supra* note 18, at 1046; Lemley, *supra* note 18, at 1135.

The result is that the new law leaves open the possibility that someone could invent something, work diligently towards publishing it or selling it to the world, and someone else who came up with the same idea later could patent it – gaining not only the right to exclude others from using the first inventor’s invention, but potentially even excluding the first inventor themselves.²⁰

To partially counterbalance the elimination of section 102(g)(2) and the risk that a first inventor could end up being found to infringe a patent issued to someone who invented after them,²¹ Congress created a prior user right in section 273. Prior user

²⁰ There was a similar risk under the pre-AIA regime, but only if the first inventor did not work towards sharing the invention with the world but instead abandoned, suppressed, or concealed it. While some of those cases involved people who came up with an idea and never did anything with it, a different and more troubling subset involved those who chose to keep the information as a trade secret and use it in their business. They not only lost their own right to a patent, but also the power to prevent others from patenting their invention. In *Gillman v. Stern*, for example, where the invention was kept completely secret by the first inventor, Judge Learned Hand held that the invention has been “concealed,” which allowed the second user to patent the invention and to recover against the first user for infringement. 114 F.2d 28, 31 (2d Cir.1940); *see also* *Metallizing Eng’g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir. 1946) (“It is a condition upon an inventor’s right to a patent that he shall not exploit his discovery competitively after it is ready for patenting; he must content himself with either secrecy, or legal monopoly).

²¹ The AIA, like its predecessor, treats secret use by the inventor as barring a later patent, but not secret use by a third party. *See* Mark A. Lemley, *Does ‘Public Use’ Mean the Same Thing It Did Last Year?*, 93 Tex. L. Rev. 1119 (2015); Joshua Masur & Lisa Ouellette, *Real World Prior Art*, 76 Stan. L. Rev. 703, 732 (2024).

rights are common in other countries that have a first-to-file system,²² and scholars treat them as an important part of the patent balance in first-to-file systems.²³

Unlike section 102(g), section 273 is not a source of prior art, so it doesn't invalidate a patent.²⁴ Rather, it creates a personal defense to patent infringement for someone who can prove they were using the invention before the patent applicant. The actual defense is limited in important ways. It applies only to process patents or to device or product patents used in a commercial process.²⁵ It requires that the defendant use the invention more than a year before the patentee files the patent application, and continue using it.²⁶ The defense is personal and cannot be transferred to a third party, and it is limited to continued use at the same physical location as the prior use.²⁷

II. The Missing Section 273 Cases

Despite the prevalence of simultaneous invention and the importance of section 102(g) in the 1952 Act, the new prior user right defense has almost never been used in

²² Australia, Brazil, Canada, China, Denmark, Germany, France, Mexico, Japan, South Korea, and the UK all recognize prior use rights in one form or another. *See generally* U.S. PAT. & TRADEMARK OFF., *Report on the Prior User Rights Defense*, https://www.uspto.gov/sites/default/files/aia_implementation/20120113-pur_report.pdf. For discussion of the differences in these prior use regimes, see text accompanying notes 63-66.

²³ Shapiro, *supra* note 6, at 95; Vermont, *supra* note 6, at 483-84. *t*, 105 MICH. L. REV. 475, 483-84 (2006); Gary L. Griswold & F. Andrew Ubel, *Prior User Rights – A Necessary Part of a First-to-File System*, 26 JOHN MARSHALL L. REV. 567, 572-73 (1993); Jacob Neu, *Patent Prior User Rights: What's the Fuss?*, 66 VANDERBILT L. REV. EN BANC 1, 8-10 (2013).

²⁴ 35 U.S.C. §273(g).

²⁵ *Id.* §273(a).

²⁶ *Id.* §§ 273(a)(2), (e)(4).

²⁷ *Id.* §273(e)(1).

the thirteen years since it went into effect.²⁸ As of September 2024, only 46 cases cite the new statute.²⁹ My research assistant and I reviewed these cases and found that only four of these 46 cases substantively decide the post-AIA Section 273 prior use defense. None are appellate decisions or even reported district court decisions, and only one case actually applies the defense. The remaining 43 cases either cite to the Pre-AIA version of the statute,³⁰ or do not involve the substantive application of the defense.³¹ I discuss those four substantive cases below.

- *Pelican Int’l, Inc. v. Hobie Cat Co.*³² At summary judgment, the court held that a § 273(a) defense did not apply.³³ The prior use, two prototypes developed by the defendant, was “insufficient as a matter of law to support a prior commercial use defense” because those prototypes lacked certain claim limitations and therefore would not infringe the claims asserted in the action.³⁴ The court held that § 273(a)’s “otherwise infringe” language requires the product to “meet[] each and every

²⁸ The defense applies to patents issued beginning in 2011. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (“The amendments made by this section [amending § 273] shall apply to any patent issued on or after the date of the enactment of this Act [Sept. 16, 2011].”).

²⁹ A few cases cited, but none actually applied, the pre-AIA version of section 273, which was limited to business method patents.

³⁰ The earlier version of the statute was limited to business method patents. *See* 35 U.S.C. § 273 (2010) (amended 2011).

³¹ *See, e.g., Celanese Int’l Corp. v. Int’l Trade Comm’n*, 111 F.4th 1338, 1347 (Fed. Cir. 2024) (analyzing whether the AIA’s modifications to Section 273 affects the meaning of Section 102(a)’s “on-sale” bar).

³² No. 20-CV-02390, 2023 WL 2127994 (S.D. Cal. Feb. 10, 2023).

³³ *Id.*, at *19.

³⁴ *Id.* at *18.

limitation in a particular claim or claims asserted against it,” and rejected the defendant’s argument that § 273(a) requires only that the claimed prior use share “subject matter” with the asserted claims.³⁵

- *Dunnhumby USA, LLC v. Emnos USA Corp.*³⁶ On a motion to strike, the court struck the defendant’s § 273(a) defense.³⁷ The court held that § 273(a) provides a “personal defense” that is “limited to the entity that actually engaged in the prior commercial activity or directed the prior activity or an entity that controls, is controlled by, or is under common control with the prior user or the entity that directed the prior user at the time the prior commercial activity took place.”³⁸ Because the prior user did not have the “power or authority to manage, direct, or oversee” the defendant until *after* the effective filing date, the prior use defense failed.³⁹
- *Vaughan Co. v. Global Bio-Fuels Tech.*⁴⁰ The court struck the defendant’s § 273(a) defense because the only thing the defendant had used prior to the patent was a pump, and the pump was only one component of the patented invention, not the whole claimed invention. Thus, the defendant concededly could not show that it actually used the patented invention before the filing of the patent.

³⁵ *Id.* at *19.

³⁶ No. 13-C-0399, 2014 WL 12780170 (N.D. Ill. June 27, 2014).

³⁷ *Id.* at *3.

³⁸ *Id.*

³⁹ *Id.* at *3-4.

⁴⁰ 2013 WL 5755389, at *11-12 (N.D.N.Y. Oct. 23, 2013).

- *Pavemetrics Sys., Inc. v. Tetra Tech, Inc.*⁴¹ This is the only case that actually applied section 273. The court declined to issue a preliminary injunction in part because a § 273(a) defense raised “substantial questions” about infringement, and thus, the counterclaim patent plaintiff could not show they were likely to succeed on the merits.⁴² The court found that, to the extent that the accused product infringed on the claim, the defendant was shielded from liability by § 273(a) because there was evidence of commercial use showing that the defendant’s product had been “the same materially” for at least two years before the effective filing date.⁴³ Though there was some dispute about whether that use met a certain claim limitation, the court noted that there were *other* uses prior to the effective date that also satisfied § 273(a).⁴⁴

It is remarkable that only four unreported district court decisions in the past thirteen years even considered the applicability of a prior user right. Only one of those applied the right, and that one did so in the context of denying a preliminary injunction – something that is extremely hard to get in patent law in any event.⁴⁵

⁴¹ No. 21-CV-01289, 2021 WL 2548959 (C.D. Cal. Apr. 15, 2021).

⁴² *Id.* at *8.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ See Carl Shapiro, *Injunctions, Hold-Up, and Patent Royalties*, 12 AM. L. & ECON. REV. 280, 288 n.15 (2010) (noting that in patent cases “[preliminary] injunctions are rare”); Ryan Davis, *Patent Injunctions Drop Sharply in 2018*, Law360 (Jan. 31, 2019, 10:03 PM), <https://www.law360.com/articles/1121976/patent-injunctions-drop-sharply-in-2018> (noting only nine preliminary injunctions were granted in 2017 while forty-one were denied; in 2016, twenty-one were granted and twenty-two were denied).

It is possible – likely, even – that defendants are pleading the defense but not using it in court. A quick and non-exhaustive search of Lex Machina found 38 references to a prior use defense in answers. But that is a tiny fraction of the thousands of answers filed in court each year, and seems more consistent with the conclusion that the defense isn't being asserted much.

III. Why Aren't Defendants Asserting Prior User Rights?

Where are all the prior user right cases? In this section, I consider several possible explanations, none of them entirely satisfactory.

The first explanation, and the one I assumed was true for a number of years, is that the absence of precedent was a transition issue. Section 273 in its current form applies only to patents issued after September 16, 2011.⁴⁶ For a while, then, it was reasonable to assume that no one was asserting the defense because the patents being litigated were all too old for the defense to apply. To some extent that is still true; empirical evidence suggests that patents are disproportionately litigated near the end of their patent life.⁴⁷ But that's a harder and harder story to tell as time passes. We are more than thirteen years into the new law; more than two-thirds of all the patents in force today are subject to the prior user right.⁴⁸ By now we should be seeing some

⁴⁶ Pub. L. 112-29, §5(c), 125 Stat. 299.

⁴⁷ Brian J. Love, *An Empirical Study of Patent Litigation Timing: Could a Patent Term Reduction Decimate Trolls Without Harming Innovators?*, 161 U. PA. L. REV. 1309, 1313, 1342 (2013); Lemley & Reinecke, *supra* note __.

⁴⁸ Patents last for twenty years from filing, though most patents get some additional patent term. Mark A. Lemley & Jason Reinecke, *Our More-than-twenty-year Patent Term*, 39 BERK. TECH.

significant use of the right, particularly since its section 102(g)(2), added in the 1999 law to address somewhat similar issues, saw thirty appellate decisions and 188 total federal cases in the same time period, compared to none for section 273.

A variant of this story, suggested to me by Michael Risch, is that the fact that many suits are filed late in a patent's life means that they are being asserted against new products developed much later than the patent. While that will sometimes be true (and how often it is true is an empirical question I can't answer), there is no reason to think all or even most lawsuits fit in that category. As noted above, simultaneous or near-simultaneous invention is quite common. And as Love's data shows, plaintiffs who file suit near the end of patent life are often non-practicing entities who strategically wait until a technology has matured and defendants are making significant profits before asserting their patents. So the fact that many lawsuits are filed late in a patent's life does not mean that the defendants began using the technology late. And in any event, even if this is a partial explanation that might reduce the number of suits, it shouldn't render them virtually nonexistent.

A second possible explanation is that no one is litigating the prior user right because it is unnecessary in practice. That could be true for a variety of reasons. First, it may be hard to find secret commercial uses to sue them for infringement in the first

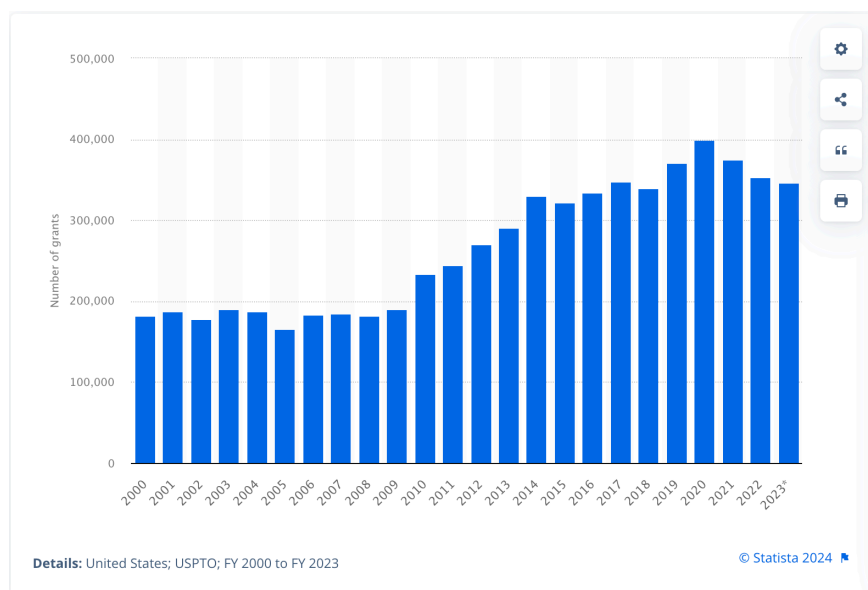
L.J. 681, 682-83 (2024). But the number of patents has been increasing every year. Since 2011, for example, roughly 300,000 utility patents have issued per year on average. For 2004-2010, less than 170,000 utility patents issued per year on average. See U.S. PAT. & TRADEMARK OFF., *U.S. Patent Activity Calendar Years 1790 to the Present*, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm.

place. If so, we may not need a prior user defense as a practical matter because the defendants won't be sued. While this is certainly possible, there is no reason to think it is any more true now than it was before the AIA. And as just noted, we had plenty of suits that involved prior secret users under the old law.

Perhaps the cases that involve prior user rights are also covered by other doctrines. This could be true, for instance, if prior users who did not previously do so now also file their own patent applications under the new law. If so, they could prevent the other inventor from obtaining a patent without the need for a prior user defense. We know that wasn't always happening before the passage of the AIA; that's why parties litigated many 102(g)(2) cases. But the AIA's first to file system encourages people to file patent applications, and perhaps it has had that effect.⁴⁹

⁴⁹ Lemley, *supra* note 5, at 756-57; Petra Moser, *Innovation without Patents: Evidence from the World's Fairs*, 55 J.L. & ECON. 43, 55 (2012) ("First-to-file rules may encourage inventors to apply for patents at an earlier stage of the innovation process and thereby may have driven up patenting rates in Britain relative to the United States (citation omitted)); Toshiko Takenaka, *Inclusive Patents for Open Innovation*, 29 TEX. INTELL. PROP. L.J. 187, 225 (2021) ("The first -to-file system adopted with the enactment of the AIA has . . . increas[ed] the number of valueless inventions filed, as the system has made it more difficult for applicants to spend the necessary amount of time to fully evaluate the technical and commercial value of their inventions before filing a patent application."). Note, though, that there is not a discontinuity in the number of patent applications filed before and after March 2013 – the effective date of the first to file provisions – as one would expect if this were the explanation. STATISTA, *Number of Patents Issued in the United States from FY 2000 to FY 2023*, <https://www.statista.com/statistics/256571/number-of-patent-grants-in-the-us/>.

Alternatively, it may be that prior users aren't filing their own patent applications but can still show another form of prior art under the new statute. Because the categories of prior art haven't changed in the AIA,⁵⁰ that seems less likely, but the fact that those prior art categories now apply up to the filing date rather than just the other party's invention date may expand the universe of prior art somewhat. So too will the fact that prior art now includes things disclosed after the patentee invented but before they filed their patent application.⁵¹ More generally, the fact that everything is documented these days may mean that things that in the past remained secret internal uses can now often be found in products or in publications such as product catalogs or



⁵⁰ *Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.*, 139 S. Ct. 628, 633-34 (2019). The AIA did add another category of prior art, a catchall “or otherwise available to the public.” But that provision has not been litigated either. See Timothy J. Holbrook, *Patent Prior Art and Possession*, 60 Wm. & Mary L. Rev. 123, 163-64 (2018).

⁵¹ See Timothy J. Holbrook, *Patent Disclosures and Time*, 69 Vand. L. Rev. 1459, 1475-76 (2016).

internet postings.⁵² If so, it may be that the importance of secret commercial use is declining over time because fewer and fewer things are actually kept secret. And defendants are likely to have a strong preference for finding prior art if it exists, not just relying on a prior user defense. Prior art invalidates the patent altogether, protecting the defendant against any liability and giving them a more powerful tool with which to negotiate a settlement. So companies that can point to a prior publication or public use are likely to do so rather than relying on a defense.⁵³ They may also use other means of invalidating patents, like patentable subject matter, which got significantly more use in the decade after the AIA was passed.⁵⁴

Nonetheless, I am skeptical of this explanation, at least as a complete answer.

While it is true that more things are documented now than in the past, that doesn't

⁵² The definition of “publication” has expanded in patent law to reach things like product catalogs and powerpoint presentations at conferences. *See* *GoPro, Inc. v. Contour IP Holding LLC*, 908 F.3d 690, 695-96 (Fed. Cir. 2018); *In re Klopfenstein*, 380 F.3d 1345, 1352 (Fed. Cir. 2004).

⁵³ Some occasionally suggest that a prior user defense requires an admission of infringement. But that isn't true. All defenses by definition matter only if the plaintiff succeeds in making out their prima facie case; raising a defense isn't an admission that that case has been made. And pleading in the alternative is quite standard in the law. Nor does the defendant have to say they infringe; they can simply prove that they were using the accused process before the patentee, so if the process infringes, they have a defense. And indeed in two of the four cases that ruled on the defense, *Pelican* and *Vaughan*, the court rejected the defense because it found that the defendant's use did *not* meet all the elements of the patent claim. *See supra* Part II.

That said, it is possible that defendants fear the jury will misinterpret their claim as an admission of infringement even though it isn't. But that strikes me as unlikely. “I was here first” seems like a very solid intuitive answer to a claim of patent infringement, whether it is couched as a defense or as a claim for invalidity.

⁵⁴ *See* Mark A. Lemley & Samantha Zyontz, *Does Alice Target Patent Trolls?*, 18 J. Emp. Legal Stud. 47 (2021) (studying patentable subject matter cases since 2014).

mean secrecy has disappeared. To the contrary, trade secret law seems alive and well,⁵⁵ suggesting that secret commercial uses remain a viable strategy. And there is no reason to think that the frequency of simultaneous invention has decreased over time.

Further, if the explanation were that we don't need prior user rights, whether because no one is suing for infringement or because prior commercial uses all show up in patents or other forms of prior art in a first-to-file system, we should expect prior user rights cases to be similarly rare in other countries. But they aren't. A study of prior user rights across various countries, commissioned by the PTO as part of the AIA, found hundreds of prior user right cases in the UK, France, Germany, and Japan, even though patent litigation generally is much less common in those countries than it is in the U.S.⁵⁶ And while there are other doctrines that can be used to invalidate patents, like patentable subject matter, the actual rate of invalidation has not changed in decades,⁵⁷ so the explanation can't be simply that patents are being struck down without need for the defense.

A final explanation for the paucity of prior use cases, and the one that ultimately strikes me as the most persuasive, is the limitations of the U.S. prior user right. The

⁵⁵ See Josh J. Leopold, *Searching for Standing: Are Improper Acquisition or Threatened Misappropriation of Trade Secrets Cognizable Injuries Sufficient for Article III Standing?*, 90 U. CHI. L. REV. 2261, 2263 (2023) ("Well over a thousand trade secret actions were filed in federal court in 2020 alone, representing a more than 30% increase from the mid-2010s . . .").

⁵⁶ U.S. PAT. & TRADEMARK OFF., *Report on Prior User Rights*, at 10, https://www.uspto.gov/sites/default/files/ip/global/prior_user_rights.pdf (reporting 90 cases that went to judgment in Japan, 11 in France, 11 in the UK, and an estimate that in Germany the right was asserted in 2-5% of all cases).

⁵⁷ See Mark A. Lemley, *The Surprising Resilience of the Patent System*, 95 Tex. L. Rev. 1 (2016).

defense has several restrictions that make it less likely to be useful in practice.⁵⁸ First, the defendant must have been using the invention for more than a year before the patentee files their application. No such requirement applies to prior art. So it will often be easier to assert prior art as a defense if there is a publication or sale because doing so gains an extra year of priority. The standard for proving the defense is a high one -- clear and convincing evidence, just as it is to invalidate a patent. And as noted above, there are substantial advantages to making a prior art claim instead, because doing so will invalidate the patent altogether.

Second, the defense is personal to the company making the use. It can't be transferred when the company is sold, and it can't even be moved to a new physical facility or expanded as the company expands.⁵⁹ That makes it practically useless for many companies, particularly those outside the software industry, where growth requires operating in multiple locations. Even a company with a successful prior user right defense may settle rather than assert it if the defense won't actually let the

⁵⁸ For a discussion from a practitioner's perspective, see Coby Nixon, *Whatever Happened to Prior User Rights*, <https://nielsenip.com/whatever-happened-to-prior-user-rights/>. He points to other practical concerns than the ones I identify here, such as the fact that the defense may apply only as to some claims and that there is a risk of having to pay the plaintiff's attorneys fees in some circumstances.

⁵⁹ Customers who buy products made using a process that is subject to a prior user defense are, however, protected from downstream liability through the exhaustion doctrine. 35 U.S.C. § 273(d).

company continue to operate without restriction. And a company that has a defense can't be sold without losing the defense, making the company much less valuable.⁶⁰

Third, the defense applies only to uses identical to those in the patent claims.⁶¹ That distinguishes it from old section 102(g)(2), which not only prevented an identical patent but created prior art that could be the basis for an obviousness argument if the patentee claimed something similar but not identical to what the prior user had already been doing.⁶² And as a practical matter it may make it difficult to avoid an entire patent even if the defendant can point to prior use of a single claim of the patent.

Prior user rights outside the United States don't have the same limits. Australia, Brazil, Canada, China, Denmark, Germany, France, Mexico, Japan, South Korea, and the UK, for instance, all extend prior user rights to any use before the priority date, while the U.S. requires that the use happen at least a year earlier.⁶³ Many countries allow rights to accrue without prior commercial use. France allows a prior user right upon proof of "possession" of the invention, Germany and Japan allow preparations to use the invention to count, and Denmark allows a use to count even if it was later stopped.⁶⁴

⁶⁰ The sale of the company is what defeated the defense in *Dunnhumby*, for example. See *Dunnhumby USA, LLC v. Emnoa USA Corp.*, No. 13-C-0399, 2014 WL 12780170, at *3-4 (N.D. Ill. June 27, 2014).

⁶¹ 35 U.S.C. §273(e)(3), (g). This defeated the defense in *Pelican*. See *Pelican Int'l, Inc. v. Hobie Cat Co.*, No. 20-CV-02390, 2023 WL 2127994, at *18 (S.D. Cal. Feb. 10, 2023).

⁶² *In re Bass*, 747 F.2d 1276, 1286 (C.C.P.A. 1973) (holding that 102(g) "secret" prior art could be the basis for an obviousness ruling).

⁶³ U.S. PAT. & TRADEMARK OFF., *Report on the Prior User Rights Defense*, at 20-21, https://www.uspto.gov/sites/default/files/aia_implementation/20120113-pur_report.pdf.

⁶⁴ *Id.* at 14-15.

Germany, France, and the U.K. all allow rights to be used by the entire company, not limited to a specific plant or facility.⁶⁵ The U.K. and Japan extend prior user rights to uses that were similar but not identical to the patented use.⁶⁶

The combination of these factors means that the prior user right adopted in U.S. law is somewhat illusory compared to prior user rights elsewhere. The U.S. right doesn't offer much protection, and so people haven't used it.

This is a problem. The result is to create a hole in patent law's novelty doctrine that allows patent owners not only to patent things they weren't first to invent but in many cases to sue the people who *were* the first inventors. Given the prevalence of simultaneous invention and the fact that almost all patent lawsuits are filed against independent inventors, not those accused of copying from the patent owner,⁶⁷ the U.S. should close that loophole by conforming its prior user right to those in other developed countries.

First, use prior to the patentee's effective date should trigger the defense, just as a public use or sale prior to the effective date would be prior art.⁶⁸ Second, the law

⁶⁵ *Id.* at 23-24.

⁶⁶ *Id.* at 24.

⁶⁷ Cotropia & Lemley, *supra* note 5, at 1443.

⁶⁸ Obviously, a company that got the invention from the patentee shouldn't be able to assert a prior user defense. Section 273 already denies a prior user right in that situation. 35 U.S.C. § 273(e)(2) ("A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee."). The AIA similarly deals with a parallel problem – people getting the idea from an inventor and then patenting it first – by denying patents to those who derived the invention from another. 35 U.S.C. § 102(b)(2)(A). But that sort of derivation seems to be rare, and it has not been litigated much.

should allow the kinds of uses that a company would make in practice. That includes moving to new plants, hiring contractors, and making minor modifications to the product being used. A prior user right shouldn't be sellable on its own, but the company should be entitled to operate its business as it normally would, free from the artificial limitations of how the process operates or the physical facility at which it is used.

Finally, I consider two possible counterarguments to justify a weaker prior user right defense. First, some argue that we already have insufficient incentives to invalidate patents, because choosing to invalidate a patent is not an unalloyed good for companies. An invalid patent can't be asserted against their competitors either, so a defendant that invalidates a patent is effectively providing a public good for free to competitors.⁶⁹ As a result, some defendants who identify obscure prior art settle with the patent owner instead, keeping the patent alive for the plaintiff in return for a sweetheart deal.⁷⁰ Having a personal defense as an option may encourage companies at the margin to choose that route rather than to invalidate the patent.

Nonetheless, the limitations of the prior user defense mean that the certainty that comes with invalidating the patent likely outweighs those negatives. And the choice is

⁶⁹ See Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 Berkeley Tech. L.J. 943 (2004); Gideon Parchomovsky & Alex Stein, *Intellectual Property Defenses*, 113 Colum. L. Rev. 1483 (2013) (noting that society has an interest in the outcome of defenses that benefit others); Roger Ford, *Patent Invalidity Versus Noninfringement*, 99 Cornell L. Rev. 71 (2013).

⁷⁰ See Mark A. Lemley & Jacob Noti-Victor, *Anticompetitive Acquiescence* (random musings in progress 2024).

not between having an infringement defense and invalidating the patents based on prior use; we already changed away from such a system. Given that we have opted for a defense, it makes sense to make it as effective as possible.

Second, some argue that having a robust prior user right would reduce incentives for companies to patent rather than keep their inventions secret, and that the world will benefit from the disclosure of those inventions that comes with patenting. I am skeptical of both the factual and normative premises of this claim. As a factual matter, patent law provides a right that is quite a bit stronger than trade secrecy does for most types of inventions,⁷¹ so it is not obvious that companies will decide to forego patent protection because of a marginal change in the defenses they could assert if they were sued. As a normative matter, it is also not clear to me that we should encourage people to file more patents. The disclosure benefits of patents are often illusory, particularly in the IT industries, given the number of other sources of information, the vagueness of the patents, and the speed with which the industry changes.⁷² The risk of secrecy lasting longer than twenty years also seems much less in most industries than it used to be. And the potential costs are substantial, because unused patents often end up in the hands of patent trolls.

⁷¹ See Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421 (2009) (showing that almost all patent suits are filed against independent inventors rather than copiers, and trade secret law does not prevent independent invention).

⁷² See Mark A. Lemley, *Ignoring Patents*, 2008 Mich. L. Rev. 19; Mark A. Lemley, *The Myth of the Sole Inventor*, 110 Mich. L. Rev. 709 (2012) (making this argument and collecting sources). *But see* Lisa Larrimore Ouellete, *Do Patents Disclose Useful Information?*, 25 Harv. J. L. & Tech. 531 (2012) (finding that scientists in many fields read patents).

In short, I think there is a solid case for strengthening the prior user right to make it comparable to the right in other countries. Making these changes will bring the U.S. prior user right into closer conformity with the rest of the world, a reasonable goal given that the whole point of the AIA's move to first to file was to more closely harmonize patent novelty with the rule in other countries. And it would ensure that first inventors who decided not to patent – or who lost out in the race to the patent office – aren't deprived of the right to use their own invention.