Defences to infringement of a granted patent

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Unauthorised use of an invention that is protected by a patent can result in patent infringement proceedings being brought against the user. However, there are a number of situations where unauthorised use may be either allowable, or will not be considered infringement. This information sheet looks at those.

Requirements for enforcement

Patents are territorial. In order for a patent to be enforced, it must be granted and valid in the country in which there is infringing activity. This means expired patents and those which have lapsed due to non-payment of renewal fees cannot be enforced against you. A patent existing in an overseas country cannot be enforced against you in New Zealand.

It is not always clear cut whether a patent is valid. In addition it is sometimes possible to restore lapsed patents to the Register. It is worth getting a legal opinion on the status of a patent before making any decisions regarding the use of a patented invention.

Invalid patents

When a threat of patent infringement is made, one common defence is to challenge the validity of the patent. Only valid patents can be enforced.

In order to show that a patent is not valid (and therefore is not infringed) the challenger must satisfy the Court that the patent should not have been granted. The grounds of revocation of a granted patent are outlined in more detail in the information sheet "Challenging a granted patent". The most common reasons a patent is invalidated are if the invention was known or used publically before the patent was filed or the invention is an obvious improvement over what was known or used in the field of interest before the patent was filed.

Challenging a granted patent can be an expensive and lengthy process. Even if a patent is successfully revoked and a finding of infringement / payment of damages avoided, it is unlikely that the challenger will recoup all the costs in challenging the patent.

Innocent infringement

Innocent infringement arises when a person is using an invention protected by a patent without the consent of the owner of the patent, but the person was unaware that the patent existed. In these circumstances the patent owner may not be able to claim damages or an account of profits from the innocent infringer, at least up until the point in time when the infringer is told about the existence of the patent. However, the Court can still grant an injunction to stop an innocent infringer using the patented invention any further.

The onus of proving innocent infringement is on the party being accused on infringement. If a product that is protected by a patent is marked with the words "NZ Patent No. xxxxxx" and the

potential infringer knew, or ought reasonably to have known, of the product then the defence of innocent infringement will not be available.

Research and experimentation

It is not an infringement of a patent for a person to do an act for "experimental purposes" relating to the subject matter of an invention. Examples of such experimental purposes are determining how the invention works, determining the scope of the invention, determining the validity of the claims, and seeking an improvement of the invention.

There are a number of factors taken into account when deciding what constitutes research and experimentation. Most importantly the research must be primarily for furthering knowledge and skill, rather than for commercial gain. Whether an activity is said to be for commercial gain or pure research is decided by the courts on a case by case basis. For example, a company A produces a generic version of a product patented by company B. Company A can trial this product with third parties , however the primary reason must be to establish its viability as a product, rather than to make money from those trialling the product. If it is found that the main benefit to company A is financial or commercial, its actions could potentially be found to infringe the patent of company B.

Regulatory approval

The New Zealand Patents Act exempts from infringement third party use of a patented product or process for the purposes of gaining regulatory approval anywhere in the world. The patent holder's consent is not required.

Reliance on this exemption is often referred to as "springboarding". It is most commonly used in the pharmaceutical industry, where it often takes years to show a generic product is equivalent to the original innovator's product. This provision means that a company can be in a position to begin manufacturing and selling a product commercially shortly after any patent protection over the product expires, having already completed the necessary regulatory work.

This provision can be used in any field where regulatory approval is required, but typically arises in the agriculture, veterinary, pharmaceutical and food industries.

Making and selling articles that may be used for infringing purposes

Under certain circumstances it is not an infringement to make and sell articles that are not themselves protected by a patent but that can be used for the purposes of infringement. However, if the articles are sold in such a way that infringement is likely or even procured, then the patent will be infringed.

For example, company A sells a kitset which can be put together to make a product patented by company B. In selling the kitset, company A risks infringing the patent if it knows that the kitset is suitable for making an infringing product, and certainly if it encourages the buyer to use the kitset to construct the patented product, for example by providing instructions for assembling the patented product.

In those cases where company A encourages/instructs a buyer to use the kitset to produce an infringing product, company A may be found to be a "contributory infringer". Contributory infringement is discussed in more detail on the Patent Infringement information page on our website.

Prior use of the invention

In limited circumstances, where a person was exploiting a patented invention before the priority date, or had taken steps to exploit the invention before that date, and had not stopped exploiting the invention before the priority date, then the person will not be held to infringe the patent by continuing to exploit the invention.

Acts done with consent

A patent owner or licensee (depending on the conditions of their licensing agreement) may provide a third party with consent to make, use, sell or work a patented invention. This consent will act as a defence to infringement, provided the conditions of any agreement between the patent owner/licensee and the third party are met.

The Courts in the past have also recognised that there may be an "implied licence" that goes with the sale of an original patented product. This license permits resale of the product and is often applied so broadly as to permit resale of the product in any jurisdiction– including foreign countries in which equivalent patent rights might exist. The patent holder is treated as having given up control of what happens to the product once he or she receives payment for it.

However, an implied license can be overridden by express words or conduct. Therefore, if the terms of the original sale prohibit subsequent resale or use, an "implied licence" will not exist and will not be available as a defence to infringement of the patent through resale in another jurisdiction in which the same patent rights exist.

Actions outside New Zealand

Patents are territorial. Therefore, in order to infringe a New Zealand patent, you must be undertaking the infringing action in New Zealand. Generally speaking infringing actions will include making, selling or using the invention in New Zealand.

If a patentee holds Australian and European patents for example, but no New Zealand patent, any working of the invention in New Zealand can not infringe the overseas patents. Likewise, if a patentee only holds a New Zealand patent, working of that invention in Australia will not constitute infringement.

There are some exceptions and grey areas surrounding this rule, particularly when the invention utilises the internet or computer software.

For example a UK Court has found that use of a patented internet based transaction infringed a United Kingdom patent even though the server hosting the transaction was located offshore. The input and output of information happened locally in the UK and these were considered the actions that amounted to infringement, regardless of where the actual processing took place.

Currently there is no clear guidance in New Zealand of how patent infringement is determined in cyberspace, but in the meantime our courts will likely look overseas for guidance. Given this uncertainty, it is recommended legal advice is obtained regarding any issues in this field.

Less common defences

The Patents Act includes specific provisions for the use of patented inventions for the services of the Crown. Such use, if authorised by a Government department, will not amount to patent infringement.

The Patents Act also excludes from infringement the use of an invention in the body of a vessel, aircraft or land vehicle that enters New Zealand temporarily or accidentally. In order to meet this exemption the vessel, aircraft or vehicle must be registered in a country that recognises the Paris Convention (an international agreement regarding intellectual property rights). Most countries are party to this. The use of the invention must also only be for the vessel's actual needs, or for the construction or working of that vessel. An example might be a patented means for deployment of a long line on a fishing vessel in New Zealand waters or the use by the vessel in New Zealand waters of a power plant which is protected by a New Zealand patent.

For more information or to discuss a specific situation please consult our litigation team.

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