Walking Beam Type Heating Furnace Case
Requirements and Scope of Right of Prior Use
Supreme Court
Case S61 (O) No.454 (October 3, 1986)

Patent Law Art. 79 requires "exploitation or preparation for business" of an invention in order to assert a right of prior use thereof. In this decision, the Supreme Court handed down how to interpret "preparation for business" and the scope of the right of prior use.

FACTS

1. The appellant (plaintiff), a US company, filed a patent application titled "Walking Beam Furnace" on October 26, 1968, claiming a priority date of February 26, 1968. The patent was granted and registered on May 30, 1980, as Patent No. 999,931 ("the '931 patent").
2. Another appellant, a Japanese company, was given an exclusive license to practice the '931 patent on March 6, 1981, which it registered on Aug. 21 of the same year.
3. The appellee (defendant) received a solicitation for a walking beam type heating furnace from a third company in July of 1966 and presented an estimated specification and a blueprint of the furnace on around August 31 of the same year.
4. The appellee failed to accept the order in 1966, but continued to exploit the specifications and blueprints for the furnace for other tenders. The appellee won orders for the furnace in 1967, 1969, 1970, 1973, 1976, and 1977.
5. The furnace according to the original specifications and blueprints of the appellee falls within the scope of protection of the '931 patent.
6. The furnaces that the appellee actually sold differ from the furnace of the original specification and blueprint in some detailed mechanical configurations.

ISSUES

Art. 79 states the requirements for *a prior user's right*, defines that right as a nonexclusive license on the patent based on prior use, and defines the scope of the right thereof. How to interpret 'preparing the invention for business' and "the extent of the invention and the purpose of such business exploited or prepared" was discussed. In addition, the right of prior use can be based on exploitation or preparation for business only in Japan.

> *Art. 79: A person who, without knowledge of the content of an invention claimed in a patent application, made an invention identical to the said invention, or a person who, without knowledge of the content of an invention claimed in a patent application, learned the invention from a person who made an invention identical to the said invention and has been exploiting or preparing the invention for business in Japan at the time of the filing of the patent application, shall have a nonexclusive license on the patent right, only to the extent of the invention and the purpose of such business exploited or prepared.*

Issue 1:

What is the meaning of 'preparation for business' in Art. 79?

Issue 2:

What is the scope of the right of prior use? Is the scope limited to the form in which

a prior user actually had been exploiting or preparing the invention?

COURT DECISION

Issue 1:

“Preparation for business' should be construed as a state of affairs in which a person, who invented an invention unaware of the content of a patent application for the same, or acquired the invention from such a person, has an intention to instantly exploit the invention even though the invention has not yet reached the stage of implementation, and such an intention should be expressed in a manner and to an extent that is objectively recognizable.

In this case, the appellee's presentation of the specifications and blueprints of the furnace and continuous participation in tenders meet the criterion for 'preparation for business'.

Issue 2:

The scope of a prior user's right is not limited to the embodiment of the invention actually exploited by a prior user, but has a certain range. That is, the scope of the prior user's right is not limited to the precise form in which the prior user had actually had been exploiting or preparing the invention but to the scope of the technical concept, namely, the invention, embodied in the form of exploitation or preparation. Therefore, the scope extends not only to the actual form of exploitation or preparation but also to a modified form insofar it is identical to the invention embodied therein.

In this case, the differences in the detailed mechanical configurations between the furnace as designed and the furnaces as actually sold have no special technical meaning, and the furnace of the appellee contains the same abstract technical concept as same as '931 patent. Therefore the scope of the prior user's right covers the entire '931 patent.