

11 Facilitation of the Use of the Prior Use System

Under the patent systems of major countries worldwide, including that of Japan, a person who has been conducting a business involving the working of an invention or making preparations therefor prior to another person's filing of a patent application for the same invention, shall be entitled to obtain, as exceptional relief, a non-exclusive license for the invention without charge. This is generally referred to as the prior use system.

However, it has been argued that the existing prior use system is not very user-friendly. In light of this argument, the FY2005 Patent System Subcommittee of the Intellectual Property Policy Committee of the Industrial Structure Council held discussions and reached the conclusion that measures should be taken to clarify the prior use system based on judicial precedents and specify the means of proof of prior use, and that guidelines should be developed to facilitate the use of the prior use system.

For this research study, we formed a committee consisting of influential persons from the legal, academic and industrial communities, and summarized the results of the discussions of the aforementioned subcommittee with regard to the measures needed to clarify the prior use system and specify the means of proof of prior use. We also investigated the implementation status of the prior use system and the relevant court rulings in other countries (UK, Germany, France, China, South Korea, and Taiwan), by requesting local law firms to provide relevant information and their views on the prior use system.

I Introduction

Under the patent systems of major countries worldwide, including that of Japan, a person who has invented a piece of technology and decided to keep it secret as know-how, if he/she has been conducting a business involving the working of the invention or making preparations therefor prior to another person's filing of a patent application relating to said invention, may be entitled to obtain, as exceptional relief, a non-exclusive license for the invention without charge even where such another person later obtains a patent right for the invention. This is generally referred to as the prior use system.

Although the prior use system enables companies to continue carrying out their business activities, it has also been criticized as not being very user-friendly because that which is required as proof of "conducting the business" or "making preparations for the business," and to what extent such proof should be provided, is not clear.

In response to this criticism, the FY2005 Patent System Subcommittee of the Intellectual Property Policy Committee of the Industrial Structure Council deliberated on methods for optimizing the prior use system, and concluded that measures should be taken to clarify the prior use system based on judicial precedents and that the means of proof of prior use should be specified, and that guidelines should be developed to facilitate the use of the prior use system.

For this research study, we formed a committee consisting of influential persons from the legal, academic and industrial communities. By way of referring to the judicial precedents and common academic theories on this issue as well as the actual status of companies' use of the prior use system, we summarized the results of the discussions at the aforementioned subcommittee with regard to the measures to clarify the prior use system and specify the means of proof of prior use. We also investigated the status of implementation of the prior use system and the relevant court

rulings in other countries.

I Prior Use System in Japan

1 Prior use system

(1) Outline of the prior use system

Japan has adopted the first-to-file principle, under which if two or more persons have independently made the same invention, only the first to file a patent application (the earlier applicant) is entitled to obtain a patent right for the invention. Since a patent right is an absolute monopoly right, it is also effective against other persons who have independently made the same invention before the earlier applicant has made it.

However, if the first-to-file principle is enforced without exception, even a person who has independently made the same invention and has been conducting the business involving the working of the invention or has been making preparations for said business prior to the filing of the patent application (prior user) would also have to be subject to the patent right, which would result in unfair treatment. To avoid such a situation, the prior use system is designed to enable the prior user to obtain, without charge, a non-exclusive license to work the patented invention only to the extent determined by law and to continue to conduct the business involving the working of the invention, thereby realizing fairness between the patentee and the prior user.

The prior use right is stipulated in Article 79 of the Patent Act, providing as follows: “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 conducting a business involving the working of the invention or making preparations for such business in Japan at the time of the filing of the patent application, shall have a non-exclusive

license on the patent right, only to the extent of the invention worked and the purpose of such business conducted or prepared.” This provision can be more easily understood by dividing it into phrases as follows: (i) “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”; (ii) “and has been conducting a business involving the working of the invention or making preparations for such business”; (iii) “in Japan”; (iv) “at the time of the filing of the patent application”; (v) “shall have a non-exclusive license on the patent right”; (vi) “only to the extent of the invention worked and the purpose of such business conducted or prepared.” The first part consisting of phrases (i) to (iv) (“A person who, at the time of the filing of the patent application” specifies the party entitled to the prior use right (prior user), and the second part consisting of phrases (v) and (vi) (“shall have...only to the extent of...prepared”) specifies the contents of the prior use right.

The sections below discuss the points to note and suggest views for clarifying the interpretation of the provision of Article 79 of the Patent Act and specifying the means of proof of prior use, and present examples of measures taken by companies to secure evidence to prove prior use.

(2) Clarification of the prior use system

(i) What is the definition of “at the time of the filing of the patent application”?

Article 79 of the Patent Act includes the phrase “at the time of the filing of the patent application.” This means that the person claiming prior use is required to be conducting a business involving the working of the invention in question or making preparations for such business in Japan at the time when another person files a patent application relating to the same invention.

In general, the prior user goes on from

Stage [1] to Stage [4] below in the process of conducting the business or making preparations therefor:

- [1] Conduct research and development to make the invention;
- [2] Make the invention in its entirety;
- [3] Make preparations for the “business involving the working of the invention”;
- [4] Commence the “business involving the working of the invention”.

It is rarely possible to prove, directly from a particular piece of evidence, that “at the time of the filing of the patent application,” the prior user had been at the above-described stage [3] or [4], which is the requirement for prior use. There are some cases where courts seem to have ascertained that the prior user had been at stage [3] or [4] based on dated material evidence. However, in court proceedings, it is important to offer evidence pertaining to the whole process, from Stage [1] to Stage [4].

(ii) Can a person other than the inventor claim prior use?

In the case where the prior user is a person other than the inventor, it is necessary to prove that the prior user has “learnt” of the invention from another person who has made the invention. By proving this fact and satisfying other requirements under Article 79 of the Patent Act, a person other than the inventor can claim prior use. This is rather an ordinary case because most inventions in Japan are made as employee inventions.

When an employee has made an invention, the company generally commences activities with a view to launching a business involving the working of the invention in question. Therefore, the company usually learns the invention (from the inventor) based on reports, specifications and instructions produced during the process from the completion of the invention to the commencement of working thereof.

(iii) What is the meaning of “making preparations for the business”?

“Making preparations for the business” means that although said business has not yet been conducted, “the prior user has the

intention of immediately conducting said business ” and “such intention (of immediately conducting the business) has been manifested in the manner and to the extent that the intention can be objectively recognized” (Supreme Court judgment in the Walking Beam Case).

The term “immediately,” in daily use, is supposed to mean a very short period of time. However, in the phrase “the intention of immediately conducting the business,” the term “immediately” should not be construed merely as a length of time, as its meaning may be determined by taking into consideration all relevant factors, including the nature of the subject matter of the invention and the whole process from the completion of the invention to the commencement of preparations for the business in question, and said business has commenced.

(iv) How can the “extent of the invention” to which the prior use right is granted be defined?

In the Walking Beam Case, the Supreme Court stated as follows: “It is reasonable to construe that the prior use right is effective with regard to not only the mode of working actually employed by the prior user or the commencement of preparations therefor at the time of the filing of the patent application (on the priority date) but also any changes in the mode of working to the extent that such changes do not affect the identity of the invention embodied by the mode of working.”

In past relevant cases, courts did not follow the procedure wherein consideration was given to whether the “invention embodied by the mode of working” corresponded to the patented invention or constituted a part thereof, and in the latter case, further considering whether the invention embodied by the mode of working that is subjected to the enforcement of the patent right constitutes such a part of the patented invention. Rather, courts considered, while referring to the scope of claims, whether the “invention embodied by the mode of working that the prior user has actually been employing or making

preparations therefor at the time of the filing of the patent application” is identical to the “invention embodied by the mode of working that is being subjected to the enforcement of the patent right.”

(v) In what cases is the prior use right extinguished?

When the prior user has discontinued the business involving the working of the invention or discontinued preparations therefor, is the prior use right once established deemed as having been waived or extinguished? With regard to this question, some scholars argue that the abolition or long-term discontinuation of the business is construed as a waiver of the prior use right. However, to date, there have been no cases wherein the court has established a prior use right and then explicitly waived or nullified said right.

In this regard, according to the findings in the judgment of the Tokyo High Court of March 22, 2001, where the prior user was found to have been “making preparations for the business” at the time of the filing of the patent application but subsequently abandoned said business, the prior user may not be entitled to the prior use right even if he/she later resumes “preparations for the business” and commences said business.

2 Proof of prior use

(1) Outline

In order to secure evidence to prove prior use, companies should establish the necessary rules and systems depending on their own circumstances. More specifically, it may be helpful for companies to clearly specify in advance what materials should be secured and how said materials should be retained, as well as which departments and personnel are to be responsible of the management of materials, and publicize such arrangements in the form of documents distributed within the company, so that the personnel engaged in research and development can familiarize themselves with these arrangements.

It is difficult to definitely specify the types of evidential materials admissible as

proof of prior use. However, it is recommended that all materials that document the chronology of events from the completion of the invention to the preparations for the business and operation thereof be retained.

(2) Examples of evidential materials produced in the course of routine work, which may serve as useful proof of prior use

(i) Technical materials

[1] Laboratory notebooks

When researchers carry out research activities for the purpose of creating an invention or device, they are expected to record the chronology and results of their activities in laboratory notebooks. In particular, from the perspective of securing evidence for proving prior use, the following procedures should be followed: the notebooks used must be ones that can be stored over a long period of time and cannot be replaced; ball-point pens or other indelible pens must be used; no skipping of notebook pages is to be allowed; materials affixed to notebooks must be dated and signed; notebooks must be properly managed; writing in notebooks must be done in a manner that ensures that its contents are intelligible to any given third party.

[2] Technical reports

Technical reports include various kinds of reports to be produced, at regular or irregular intervals, by R&D departments of private companies, etc. for the purpose of recording R&D results. More specifically, the following documents are generally regarded as technical reports: experiment reports, trial test statements, R&D conclusion reports, R&D end-of-term reports, R&D monthly reports and invention proposals.

[3] Design drawings and specifications

Specifications are documents stating the features required for the product. Design drawings are drawings that indicate the shape, structure, size of the product, etc. and accord with certain rules.

(ii) Business-related documents

[1] Business plan

Business plans should state that the company, etc. will commence activities to launch a business at a certain point of time in the future.

[2] Decision on business commencement

It is a document stating the final decision of the organization to commence the business.

[3] Estimates and invoices

Product development generally involves a number of transactions with external companies. Estimates and invoices concerning such transactions can serve as evidence to prove prior use.

The following materials may also serve as useful evidence: delivery slips, account books, daily logs made at in manufacturing sections (factories), product catalogues, booklets, and instruction manuals.

(iii) Examples of methods of securing the video of the product or article per se or the relevant factory, etc. as evidence

[1] Evidential materials not in the form of documents

The most popular form of proof is documentation (document evidence). If it is difficult to secure evidence in the form of documents, the following methods may be useful for securing evidence in other forms.

[2] Secure the product or article itself

In the case where the essence of the invention that one wishes to keep secret as know-how is embodied in the product or article itself to some extent or can be presumed from the product or article itself, said product or article can be very useful evidence to prove prior use. In this regard, it is important to make arrangements to prove since when the product or article has existed.

(a) Place a small product or article in an envelope, seal the envelope, and have the envelop stamped with a fixed date

In the case of a small product or article, the following method is recommended: (1) submit a private document that is signed or sealed (hereinafter referred to as a "private deed") to a notary's office so as to have the notary assign a fixed date to the private deed;

(2) place the product or article in an envelope and seal its opening firmly with paste, and affix the private deed to the envelop with paste in the manner whereby the private deed conceals the opening and joint of the envelop; (3) have the notary affix a stamp bearing a fixed date at the joining of the private deed and the envelop.

As a result, nobody can touch the product or article inside the envelop without damaging the private deed pasted thereto.

(b) Place a relatively large product or article in a cardboard box, seal the box, and have the box stamped with a fixed date

In the case of a relatively large product or article, the following method is recommended: (1) submit a private deed to a notary's office so as to have the notary put a fixed date to the private deed; (2) place the product or article in a cardboard box and seal the box by firmly taping the seams of the openings; (3) encircle the box with tape at least once without making a break across the upper opening surface of the box, and then encircle the box with tape at least one again covering the upper opening surface of the box in the manner whereby the tape crosses at a right angle; (4) affix the private deed to the box in the manner whereby the private deed conceals the crossing point of the tape, and have the notary affix a stamp bearing a fixed date to the intersection between the private deed and the box.

[3] Secure a video of the product or article as evidence

In the case of objects that are difficult to express in document form (by letters, drawings or pictures), such as the manner in which a device moves or the state or sound of the flowing of a liquid, a video demonstration of said invention may serve as an easy means of establishing proof.

(3) Points of time for securing evidence

(i) Points of time for securing evidence from documents produced through routine work

[1] Outline

In order to prove the chronology of the

process by which the prior user, prior to the filing of the patent application, made the invention as a result of R&D (or learnt of the invention), made preparations for the business involving the working of the invention, and commenced said business, it is critically important to retain the materials produced throughout the process. Companies should establish internal infrastructure for the systematic management of materials by specifying the types of materials to be retained, the time of production of said materials, and methods and period of retention.

For the purpose of reserving evidential materials for the purpose of proving the existence of a particular right, it is generally recommended that evidential materials that prove the facts required for the establishment of the right be collected and stored, whenever it is possible to secure such materials. As means of proof of prior use, it is also advisable to secure relevant materials at every stage when the necessary facts are found.

[2] The R&D stage

Materials produced during the R&D stage are useful for proving the process through which the prior user carried out the R&D that resulted in the invention that was later kept secret as know-how.

[3] The stage of completed production of the invention

The completion of the invention is the prerequisite for conducting the business.

[4] The stage of the decision to launch a business

This is the earliest stage at which the prior use right may come into existence.

[5] The stage when preparations for the business are being made

It is important to prove the acts conducted at this stage accurately along the passage of time.

[6] At the stage when the business has commenced and thereafter

At the stage of manufacturing and sale of the product, the prior user is deemed to be conducting a business involving the working of the invention.

[7] The stage whereat the mode of working is changed

It should be noted that if the prior user changes the mode of working of the invention after commencing the business involving the working of the invention, the prior use right might be denied due to such change.

(ii) How to react upon becoming aware of the fact that another company has filed a patent application or obtained a patent

When the prior user finds, in the publication of another company's patent application or patent bulletin, that the invention that is in conflict with the technology for which the prior user has been conducting a business or making preparations therefor prior to the filing of the patent application, it may be a possible means of proof to collect evidential materials going back to the time of the filing, and retain such materials.

To this end, it may be desirable to establish infrastructure allowing for the systematically reservation of materials in advance at varying stages on a daily basis with regard to R&D, factory operations, and sales, so as to ensure access to such materials whenever necessary.

(iii) Securing evidence that proves in-house working at the time of conducting transactions with other companies

As means of proof, it is helpful to collect evidential materials such as samples, drawings, and specifications of the product at the time when transactions with other companies were being conducted, such as product sales, placement of orders with subcontractors for product components, and supplying of components to parent company, and retain such materials.

(4) Specific methods for increasing the probative value of evidence

Evidence to prove prior use should be capable of proving not only the contents of the business or preparations therefor but also the time when the evidence was produced (date of production). Furthermore, in order to increase the probative value of evidence, it is important to prove that no alterations have

been made to the evidence (absence of alteration) as well as the identity of the producer of the evidence in question (producer).

(ii) Notary system

[1] Outline of the notary system

Notaries are authorized to place fixed dates on private deeds and produce notarized deeds, thereby clarifying the legal relations and facts and ensuring the admissibility of documents as evidence. The notary system is designed to stabilize the everyday life of citizens and prevent the occurrence of disputes.

[2] Notary services

(a) Fixed dates

A private deed stamped with a fixed date is sufficient proof of the existence of the object in question on the affixed date, and it has sufficient admissibility as evidence in court (Article 4 of the Act for Enforcement of the Civil Code).

Since a fixed date may be given to a private deed, most documents produced by companies are eligible for notarization by way of a fixed date stamp from a notary.

(b) Notarized deeds of observed fact

A notarized deed of observed fact is a kind of notarized deed produced by a notary based on his/her observations, or, in other words, the facts that the notary directly observed with his/her five senses (Article 35 of the Notary Act), and this is said to have the greatest probative value under the law.

Since a notarized deed of observed fact shall be retained in the book vault of the notary's office for 20 years following its production, there is no fear of loss or alteration (the period of retention is extendable).

For instance, in order to secure evidence to prove the method whereby a medical or other chemical substance was manufactured at a factory, the company can invite a notary to the factory to directly observe the raw materials of the product, the structure and operation of the machinery and equipment, and the manufacturing process, and record the findings of these observations in a notarized deed.

(c) Authentication of private deeds

Authentication of a private deed refers to the certification of the fact that the authenticated document has been signed and sealed by the nominal producer of the document.

Such an authenticated private deed has more probative value than a private deed with a fixed date, in that the authenticated deed can prove not only the existence of the deed on the date of authentication but also the absence of alteration in the deed.

There are other kinds of notary services, such as production of written contracts as notarized deeds, sworn authentication, and notarization of electronic data.

(iii) Timestamps and electronic signatures

[1] Timestamps

Timestamping is a private service wherein time information is given to electronic data, thereby proving the existence of the data at the time of timestamping (proof of date) and the fact that no change or alteration has been made to the data during the period from the time in question to the time of inspection of the data (proof of absence of alteration).

Although it should be noted that a timestamp does not have the same legal status as a fixed date placed on a document, it can serve as evidence in the determination of the chronology of events.

[2] Electronic signatures

Electronic signatures is a technology wherein seals or signatures are electronically affixed to electronic data for the same purpose as the physical affixing of a seal or signature to a tangible document. In accordance with the Act on Electronic Signatures and Authentication Services, electronic documents to which an electronic signature has been affixed by satisfying certain requirements are presumed to have been "produced at the will of the person who has signed or sealed the document in question."

Content-certified mail and receipt-time-certified mail are also available as means of proof.

(5) Methods actually employed by companies as means of proof

Companies that intend to keep their technical achievements secret as know-how for strategic purposes currently employ the following methods for securing evidence to prove prior use.

Companies decide whether or not to maintain secrecy surrounding certain technical achievements as know-how, while considering various factors such as whether it would be difficult for other companies to independently develop the relevant technology, whether the technology in question relates to a manufacturing method, and whether the details of the invention (e.g. processing method) have not been revealed by the product itself.

In an attempt to secure evidence to prove prior user, companies take various measures including the following: recording DVDs that feature video presentations of factory production lines as well as data regarding business commencement decisions and other related documents, then placing said DVDs in an envelope and having the envelope stamped with a fixed date at a notary's office; in the case of top-priority know-how requesting that a notary produce a notarized deed of observed fact in the presence of a lawyer or patent attorney, or establishing rules for electronic document management that require the use of timestamping provided by private bodies; including digitized design drawings together with product specifications, operational manuals produced by the technical department, and operational records depicting trials and errors made by R&D personnel, and having the package stamped with a fixed date at a notary's office.

When companies decide to keep their technical achievements secret as know-how, they may prepare patent claims and descriptions regarding the technology in the manner akin to the filing of a patent application, thereby clarifying the scope of the know-how in question. If their production activities overseas (e.g. in China) involve technology that they wish to retain as secret

know-how, they can take such measures as avoiding introducing of the new technology to overseas production factories, or thoroughly restricting customer visits to factories for the purpose of viewing production lines.

II Prior Use Systems in Foreign Countries

1 United Kingdom

Prior use rights are stipulated in Section 64 of the Patents Act. In order for a prior use right to exist, the person who claims prior use should, (i) before the priority date, (ii) within the United Kingdom, (iii) in good faith, (iv) do an act which would constitute an infringement of the patent if it were in force, or makes effective and serious preparations to do such an act.

The requirement to have "made effective and serious preparations" means that the preparations necessary for committing the potential act of infringement in question have nearly reached the point of committing the act. It is construed that the prior user may make changes to the mode of working within the scope of the act that is substantially similar to the act for which effective and serious preparations have been made prior to the filing of the patent application. There is no court precedent regarding the expansion of the production scale. However, some scholars argue that Section 64 of the Patents Act does not impose any quantitative limitations, and according to this argument, the prior user who has manufactured a potentially infringing product is allowed to expand manufacturing without scale limitations (including the purchase of new plant facilities).

In *Forticrete Ltd. vs. Lafarge Roofing Ltd.* (Patents Court, November 25, 2005), the court rejected the claim of prior use, holding that the act committed by the defendant's prior to the priority date could not be deemed as substantially the same as the infringing act.

2 Germany

Prior use rights are stipulated in Section 12 of the Patent Law. In order for a prior use right to exist, the person who claims prior use should, (i) at the time of the filing of the patent application, (ii) within German territory, (iii) possess the invention, and (iv) the possession of the invention should be affirmed by serious preparations (“necessary arrangements”) to start to work (“use”) the invention.

It is construed that the “necessary arrangements to use the invention” should be made with the intention of using the invention in the future, and should indicate a serious, clear and unconditional intention of using said invention in the near future. The prior use right covers the same kinds of usage or specifically embodiments thereof, which the prior user had actually used or for which the prior user made necessary preparations for using shortly. It is construed that there is no quantitative limitation on the prior use right, and therefore the prior user is allowed to magnify the production and export scales thereof.

In the *Elektrische Sicherungskörper* Case (Frankfurt District Court, November 18, 1965), the court rejected the claim of prior use, holding that the defendant’s manual manufacturing of test samples not intended for sale could not be regarded as effective use of the invention for the purpose of starting mass production of fuses, or as sufficient preparation for such use of the invention.

3 France

Prior use rights are stipulated in Article 613-7 of the Intellectual Property Law. In order for a prior use right to exist, the following four requirements should be satisfied: (i) geographical requirement (must be conducted within the territory of France); (ii) time requirement (must be invoked on the date of the filing of the patent application or the priority date); (iii) *bona fide* requirement (maintaining of good faith); and (iv) subject requirement (the invention claimed by the patent application must be in the possession of the prior user).

One means of proving possession of an invention is a *Soleau* envelope. The person who needs proof prepares two envelopes with identical contents, and sends both to the French Patent Office (Institut National de la Propriete Industrielle). Having received them, the Patent Office writes the date of receipt on the envelopes and hole-punches them, and then returns one of the envelopes to the sender while retaining the other in the office archives (Article 511-6 of the Intellectual Property Law).

The prior user is only required to have knowledge of the invention in question, but evidence should be submitted to prove full knowledge of said invention. It is construed that the prior user may employ a form equivalent to that embodied by the invention in question possessed by the prior user before another person obtains a patent for the invention. The legitimate working by the prior user may extend to the prior user’s needs without any quantitative limitation.

In the *Concept K Ltd. (Hong Kong) vs. Mr. Moulin* case (Tribunal de grande instance de Paris, December 19, 2003), the foreign corporate defendant successfully proved its disclosure of the invention in France, and therefore the court upheld its claim for prior use with respect to the invention produced overseas.

4 China

Prior use rights are stipulated in Article 63 of the Patent Law. In order for a prior use right to exist, the following four requirements should be satisfied: (i) the prior user has used (worked) the invention or made necessary preparations for the working thereof; (ii) use has been initiated or preparations for such use have been made before the filing of the patent application; (iii) such prior use is *bona fide*; and (iv) the invention is being used within its original scope.

According to Article 96 of the “Opinions on Several Issues Concerning Determination of Patent Infringement” issued by the Beijing High People’s Court, making “necessary preparations” means to completely develop design drawings and technical documents,

and to finish preparation of the necessary equipment and molds or the production of samples or trial models, and “within the original scope” means within the limit of the actual production volume or production capacity of the relevant production equipment prepared prior to the filing of the patent application.

Except for manufacturing and use, all other acts, such as exporting, are not covered by the prior use right, and manufacturing beyond the original scope shall constitute patent infringement.

In the infringement case involving the utility model patent for a high-pressure isolation switch, the court rejected the claim of prior use because the written directions pertaining to trial production issued prior to the filing of the patent application only specified the problem to be solved by the invention and did not indicate any concrete technical strategies, and therefore the defendant was deemed to have failed to make necessary preparations prior to the filing date.

5 South Korea

Prior use rights are stipulated in Article 103 of the Patent Law, which is similar to Article 79 of the Patent Act of Japan. In order for a prior use right to exist, the person who claims prior use should satisfy the following requirements: The person has (i) made an invention without having knowledge of the contents of the invention described in the patent application or learnt the method of production of the invention from the inventor, and (ii) at the time of filing of a patent application, (iii) has been conducting a business involving the working of the invention within the Republic of Korea, or has been making preparations for such business.

It is construed that “preparations for the business” must be made to the extent that said preparations can be objectively recognized. There is no clear provision on whether or not a prior use right may be granted even after the mode of working is changed, nor has any court ruling been made

on this issue. There is an academic view that the prior use right may be effective within the scope of the invention based on technical ideas and made apparent in the course of working the invention or making preparations for the business. The prior user may be allowed to expand the scale of the business involving the working of the invention to the extent of the purpose of the business in question.

The Supreme Court judgment of June 8, 1993, addressed the case where a prior user had, prior to the filing of the patent application in question, conducted a business involving the working of an invention but then abolished said business due to poor business results, meaning that the prior user had not continued the business in question up to the time of the filing of the patent application. The court held that no prior use right could be claimed in a case where the prior user had not continued the relevant business up to the time of the filing.

6 Taiwan

Prior use rights are stipulated in Article 57 of the Patent Law. In order for a prior use right to exist, the following requirements should be satisfied: (i) the prior user has, prior to the filing of the patent application in question, worked the invention or completed the preparations necessary therefor within the Republic of China; (ii) the person has worked the invention or made preparations therefor in good faith; (iii) the working of the invention is within the scope of the business that the person has operated.

According to the “Points on Determination of Patent Infringement” (Taiwan Intellectual Property Office of the Ministry of Economic Affairs), “ ‘all necessary preparations’ refers to the necessary preparations made within the Republic of China for the purpose of manufacturing the same product or using the same method.” There is no court precedent discussing the specific meaning of the phrase “all necessary preparations,” with the exception of the reason given in a court ruling wherein the court stated that purchasing the machinery

and casting molds necessary for manufacturing can be deemed as a complete implementation of necessary preparations. There is also no court precedent judging whether or not the prior use right may be granted in cases where the mode of working has been changed. Considering the current practice in Taiwan whereby courts tend to construe the scope of prior use narrowly, it may be difficult to obtain prior use right after changing the mode of working of an invention.

The Taiwan Shilin District Court judgment of October 13, 2006, upheld the claim of prior use, admitting as evidence magazine ads, shipping bills, documents of receipt, and checks, and holding that the defendant had, prior to the filing of the patent application, already conducted manufacturing by using the method related to the relevant electronic device and sold the allegedly infringing computer mouse to the public.

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