

**Comparative study of cases pertaining to**  
**a) the requirements for preparations to use an invention to**  
**qualify for prior user rights, and**  
**b) the scope of the prior user right**  
**in Australia, Germany, France, Japan, The Republic of Korea,**  
**Spain, Sweden, Switzerland, the UK and the US**

**Further Work 1**

**Gather evidence regarding how courts determine if “(serious and effective) preparations” have been made.**

In June 2016, the Japan Patent Office (JPO) kindly asked the member offices of the Workstream on Prior User Rights to provide information as to court decisions, to find the extent of “preparations” which should be required to determine whether the “preparations” are “serious and effective”. Thanks to the offices’ kind cooperation, the JPO received responses from all the member offices including the U.S and France, where “preparations” are not regarded as requirements for the accrual of prior user rights, and the Spanish Patent and Trademark Office (SPTO). Please refer to the attached ANNEX for more details about court decisions provided from each member.

The JPO compiled a table of terms indicating the threshold of preparations required to qualify for prior user rights as used in each jurisdiction. The table is below.

<b>Country</b>	<b>Terms determining “(serious and effective) preparations”</b>
<b>AU</b>	<b>definite steps</b>
<b>CH</b>	<b>special preparation</b>
<b>DE</b>	<b>necessary arrangements</b>
<b>FR</b>	<b>intellectual possession</b>
<b>ES</b>	<b>serious and concrete preparation</b>

<b>JP</b>	<b>Preparations</b>
<b>KR</b>	<b>preparing (preparations)</b>
<b>SE</b>	<b>substantial preparations</b>
<b>UK</b>	<b>effective and serious preparations</b>
<b>US</b>	<b>N/A<sup>1</sup></b>

Based on above table, it can be understood that, among the jurisdictions, various terms are used to indicate the extent of preparations required for prior user rights to arise.

Then, when reviewing the information provided by each office, court decisions on the extent of preparations among the jurisdictions can be greatly affected by the facts and circumstances of individual cases.

For example, in Japan, a court judgment determined that “**Taking into consideration such characteristics of the industrial heating furnace**, the appellee did have an intention to immediately work the invention involving Product A,...” (“Walking-beam type furnace” case: Judgment of the Supreme Court of Japan, the Second Petty Bench, October 3, 1986; Case No. 1986 (O) 454).

Also in Germany, the jurisprudence determines that decisions have to be made on a case by case basis and have to take into account all aspects of the case at hand (compare Bundesgerichtshof “Taxilan”, Federal Supreme Court decision of 21 May 1963, BGH Ia ZR 84/63))

Furthermore, in the responses from Sweden, a court decision determined that “Whether preparatory actions are so substantial that they constitute prior user rights *has to be based on the circumstances.*”

Thus, it can be said that court decisions on the extent of preparations among the

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<sup>1</sup> In the U.S., preparations do not suffice for rights to arise because U.S. law requires use of the invention.

jurisdictions are affected by the facts and circumstances of individual cases.

**Further work 2**

**Determine whether such changes (following a. – c.) should be allowed, and if so how they might be covered by any harmonisation agreement.**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

The JPO kindly asked the Workstream members to provide information, such as court decisions, in their jurisdictions, about “changes in volumes of use of inventions,” “changes to embodiments of inventions,” and “changes in types of acts of working inventions.” The JPO received the responses from all of the Workstream member offices, as well as the SPTO. Based on the responses, the JPO analyzed and sorted them into the following three groups about whether or not these changes are allowed in each of the jurisdictions: (1) changes are allowed; (2) changes are not allowed; and (3) no case law.

The results are listed in the following table. Please note that, even when offices wrote “changes are allowed,” but based their decisions not on case laws but on academic theories, the JPO categorized them “No case law” Also, please refer to the attached ANNEX for more details about court decisions provided from each member.

	<b>Changes in volumes</b>	<b>Changes to embodiments</b>	<b>Changes in types of acts</b>
<b>AU</b>	<b>No case law</b>	<b>No case law</b>	<b>No case law</b>
<b>CH</b>	<b>No case law</b>	<b>No case law</b>	<b>No case law</b>
<b>DE</b>	<b>Allowed</b>	<b>Allowed</b>	<b>Allowed</b>
<b>FR</b>	<b>No case law</b>	<b>No case law</b>	<b>No case law</b>
<b>ES</b>	<b>No case law</b>	<b>No case law</b>	<b>No case law</b>

<b>JP</b>	<b>Allowed</b>	<b>Allowed</b>	<b>Not allowed</b>
<b>KR</b>	<b>No case law</b>	<b>Allowed</b>	<b>No case law</b>
<b>SE</b>	<b>No case law</b>	<b>No case law</b>	<b>No case law</b>
<b>UK</b>	<b>No case law</b>	<b>Allowed</b>	<b>Not allowed</b>
<b>US</b>	<b>Allowed<sup>2</sup></b>	<b>No case law</b>	<b>No case law</b>

Based on the results of the analysis, it can be found that, in any case of “volumes,” “embodiments,” and “types of acts,” there are no court decisions on these issues in most jurisdictions. Accordingly, most responses were sorted into “No case law.”

Also, with regard to “changes in volume” and “changes to embodiments of inventions,” among the jurisdictions where court decisions were made on this issue, changes were allowed, but in some jurisdictions, seem to subject to certain conditions or limitations.

On the other hand, with regard to “changes in types of acts of working inventions”, no court decision can be found in Japan and U.K., while some court decisions can be found in Germany.

Considering about the extent to which the changes should be allowed, for example, a court decision on point in the U.K. determined that “In deciding whether the activity is substantially the same, *all the circumstances must be taken into account.*” (Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1997] RPC 195 (Patents Court, Jacob, J.)) Like this, the extent to which the changes should be seem to be depending on the specific backgrounds facts and circumstances of individual cases.

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<sup>2</sup> In the U.S. there is no case law but the statute explicitly shows that changes in volume are allowed.

## **ANNEX: Responses from each member states**

<Australia>

### **How courts determine if “(serious and effective) preparations” have been made**

According to Section 119 of the *Patents Act 1990*<sup>3</sup>, prior user rights can arise under Australian law where the third party, immediately before the priority date, was exploiting or had taken definite steps to exploit a product, method or process that would infringe the patent. Section 119(5) of the *Patents Act 1990*, provides definitions of the term “exploit” in relation to a product, and a method or process.

There has been little litigation under this section of the *Patents Act*. Consequentially, to date there is no detailed guidance as to the operation of the term, “Definite Steps”. The case that provides the clearest guidance is *Welcome Real-Time SA vs Catuity Inc* (2001)<sup>4</sup>. In that case, the Federal Court of Australia observed that it is not sufficient to say that definite steps to exploit the product had been taken by the infringer if immediately before the priority date, they were “engaging in the development of a system” (*Welcome Real-Time SA vs Catuity Inc*. (2001) 113 FCR 110 at [100])<sup>2</sup>. Other somewhat relevant cases are also discussed below.

#### **Court Decisions that provide guidance on “Definite Steps” in order for infringers to be entitled to qualify for prior user rights**

##### **(1) “Operation of smart cards connected to loyalty programs” case (*Welcome Real-Time SA vs Catuity Inc*. (2001) FCA 445)<sup>2</sup>**

###### **● Outline of the facts**

- Priority Date of the patent: 22 January 1996.
- The respondents claimed that in August 1995 they had begun work developing an upgraded system for their Wizard/Transcard system and by September 1995 they

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<sup>3</sup> Cited from “Patents Act 1990” on ComLaw AU website. (The same hereinafter)  
([https://www.comlaw.gov.au/Details/C2015C00484/Html/Text#\\_Toc429123129](https://www.comlaw.gov.au/Details/C2015C00484/Html/Text#_Toc429123129))

<sup>4</sup> Cited from AustLII website

([http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/federal\\_ct/2001/445.html?query=%5E%20welcome%20real%20time](http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/federal_ct/2001/445.html?query=%5E%20welcome%20real%20time))

had formulated the rollout requirements for the upgrade system.

- The technical design of the respondents system was substantially completed by 21 January 1996.
- The applicant's expert considered that the submitted documents did not show that technical design was substantially completed by 21 January 1996. The expert conceded that such design had started but considered that it was only in early stages as seven of the submitted documents were not completed by 21 January 1996, and the system was not operational until August 1996.
- The applicant claims that their patent was infringed from August 1996 by operation of a CiT/Transcard system.
- The respondents alleged that the claims didn't infringe but alternatively relied on the defence under Section 119(1)(b) of the Patents Act 1990 in that immediately before the priority date they had taken definite steps to make the product the subject of the patent.

### ● **Court judgment**

Ultimately the Federal Court was not satisfied that, within the meaning of section 119(1)(b), the respondents had taken definite steps to make or use their system by 21 January 1996. This impression was confirmed by the fact that the respondent's system did not become operational until seven months after 21 January 1996. What the respondents were doing as at the priority date was engaging in the ongoing development of a system. [100]

Paragraph [91] of this decision provides guidance for "definite steps" as follows:

"The concept of which s119 speaks may be illustrated by the following example. Assume a patented product consisting of components A, B and C. Immediately before the priority date an infringer: has drawings depicting the product; has actually made A; has on his premises the raw materials for component B; and has ordered the raw materials for component C. It can then be said that the infringer had taken definite steps to make that product. Conversely, it would not be sufficient that immediately before the priority date, the infringer has made A, has received the raw materials for B but is investigating whether C, D or E would be the preferable final component. And the infringer would be in no better position if, after the priority

date, he in fact decided that C was preferable and then proceeded to manufacture a product consisting of A, B and C.”

**(2) Computer processing apparatus for assembling text in Chinese language characters**

*(Ccom Pty Ltd and Ronald Howard Thomas v Jiejing Pty Ltd, [1993] FCA 653)*<sup>5</sup>

The respondents tried to argue that they were entitled to the benefit of Section 119 under the Patents Act. This was dismissed by the Federal Court. The Federal Court of Australia found (at [158]) that:

“The relevant product for the purpose of the exemption from infringement in s 119 of the Patents Act 1990 is the product claimed in the claim of the patent. In the instant case the relevant product is a computer processing apparatus for assembling text in Chinese language characters. It is not the program by itself. The respondents were not at the priority date making such a product.”

**Court decisions where establishment of a priority date denied an infringer the ability to claim prior user rights.**

**(1) A method, apparatus and system for detecting parking overstays.**

*(Vehicle Monitoring Systems Pty Ltd v Sarb Management Group Pty Ltd (t/as Database Consultants Australia) (No 2); [2013] FCA 395)*<sup>6</sup>

The defence under s 119 was not available to the respondents because the exploitation (or definite steps to exploit) did not commence before the priority date. This case is also interesting for other reasons. The Federal Court of Australia observed that the defence under s 119 (1) does not cover the act of authorising another person to exploit the invention. The court noted at [103] that regardless of whether a respondent’s own exploitation receives defence under s 119(1), the legislation “does not assist the respondent to avoid a finding of infringement on the basis of authorisation, assuming the claims to be valid”.

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<sup>5</sup> <http://www.austlii.edu.au/au/cases/cth/FCA/1993/653.html>

<sup>6</sup> <http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/FCA/2013/395.html>



## **(2) An IV Catheter**

***(B. Braun Melsungen AG v Multigate Medical Devices Pty Ltd, [2014] FCA 1110)***<sup>7</sup>

B. Braun Melsungen AG accused Multigate of infringing two patents. Multigate admitted to having offered for sale, sold, supplied or kept for sale two catheters and that it intended to market and sell a third. In its defense Multigate attempted to rely on section 119. Due to the chain of intermediary patents this defence rested on the established priority date for the two infringed patents. It was ultimately decided that the patents were afforded their earliest priority date [99]. Ultimately, the defence under section 119 was not available to Multigate because the exploitation (or definite steps to exploit) did not commence before the established priority date.

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<sup>7</sup> <http://www.austlii.edu.au/au/cases/cth/FCA/2014/1110.html>

## **Whether such changes (following a. – c.) are to be allowed?**

### **a. Changes in volume of use of the invention**

### **b. Changes to embodiments of invention**

### **c. Changes in types of acts carried out to work the invention**

#### **a. Changes in volume of use of the invention**

In Australia, a prior user right is a defence against infringement. If a person was exploiting the patented “product, method or process” prior to the priority date then there is legislated a defence against infringement of the patent where the person continues to exploit an “infringing” product method or process. There are no particular limitations in Australia’s domestic legislation regarding changes in volume of use of the invention.

#### **b. Changes to embodiments of invention**

Australia’s domestic legislation provides that a person may do an act that exploits a product, method or process, if immediately before the priority date that person was exploiting the same product, method or process. This appears to be supported by *Ccom Pty Ltd and Ronald Howard Thomas v Jiejing Pty Ltd*, [1993] FCA 653<sup>3</sup> which shows that the scope of what may benefit the prior user is limited to what was being exploited at the priority date [158]. If the prior user did something different in good faith then it is believed the courts would take a common sense approach when deciding whether the prior user is still entitled to the defence against infringement. However, no such decision exists so we are ultimately unsure how this would be enforced in court.

#### **c. Changes in types of acts carried out to work the invention**

This particular aspect of Section 119 has undergone revision as a result of *The Intellectual Property Law Amendment Act 2006* that repealed the existing section 119 and substituted the present one. In *Welcome Real-Time SA vs Catuity Inc*<sup>2</sup>, which was decided before the revision to section 119, Justice Yates noted at [101] that:

“s 119 in its terms appears to limit its protection to the act of making a product or using a process and does not extend to other acts which would constitute exploitation, and hence infringement, such as sale or importation of a product.”

The subsequent amended section removed the uncertainties in the operation of the original form of section 119. This included the definition of “exploit” in section 119 being amended so as to be the same as given by Schedule 1 of the Patents Act 1990. The effect of this amendment was that the definitions for acts for applying prior user rights were the same as the acts of working inventions. Therefore, the exploitation that would have occurred before the priority date need not necessarily be the same act done after the priority date. It follows that there does not appear to be any particular limitations to the activities or changes in types of working acts of the prior user in current the Australian Legislation.

<Switzerland>

### **How courts determine if “(serious and effective) preparations” have been made**

Article 35 of the Federal Act on Patents for Inventions<sup>8</sup> (Patent Act) states that patent rights may not be invoked against any persons who, “prior to the date of filing or priority of the patent application,” “were commercially using the invention in good faith or had made special preparations for that purpose” “in Switzerland.”

There has been little litigation under this article of the Patent Act. The case that provides the clearest guidance is *BGE 86 II 406 (1960)*.

#### **Court Decision that Denied Preparations to Work or Use Inventions in Businesses**

**(1) Case in which special preparations to commercially work the invention in a near future were denied because a completed invention was missing (Supreme Court decision of the 13. December 1960, BGE 86 II 406)**

##### **● Outline of the facts**

- Priority Date of the patent: 22 February 1932.
- The respondent claimed that between 17. January and 17 November 1931, he had worked on developing a high voltage switch.

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<sup>8</sup> <https://www.admin.ch/opc/en/classified-compilation/19540108/index.html#a35>

- As evidence for a prior user right, the respondent produced drawings that were made in its testing center. The investigation of the court showed that the respondent had only expressed the purpose to further develop the switch, but still not the intention to produce such switch for commercial purpose.

- **Court judgment**

The Federal Supreme Court observed that in order to claim a prior user right:

- concrete preparation should have been made to implement the invention; it is not enough to have a plan or a technical drawing to have a prior user right established.
- one should have had sufficient detailed and objective knowledge about the invention to be able to carry it out.
- the prior user shall have had the purpose to work the invention on a commercial scale, in a near future and over some time.
- the investments made in order to work the invention should reach a certain extent.

Ultimately, the Federal Supreme Court concluded that the respondent did not have a completed invention before the priority date and therefore was not able to design the purpose to work the invention on a commercial scale in a near future.

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

To date, the Federal Supreme Court of Switzerland did not have the opportunity to decide whether and to which extent changes in the prior use are allowed. Detailed guidance on these issues has mainly been given by scholars. We assume however that if the Swiss Supreme Court would have to decide on these issues, it would follow the dominant scholar's opinions which are discussed below.

**a. Changes in volume of use of the invention**

There is no particular limitation in the domestic legislation Switzerland regarding changes in volume of use of the invention.

## **b. Changes to embodiments of invention**

The prior user right is limited to the scope of the prior use taking place before the filing or priority date of the invention. The prior use cannot be extended to the whole coverage of the patent. Consequently, the mere use of the invention before the filing or priority date of the invention does not allow the prior user to subsequently manufacture or put the subject matter of the patented invention into circulation (Peter Heinrich, PatG, 2. Auf. Bern 2010, N17 ad art. 35; Gilliéron, CR-PI, Basel 2013, N 14 ad art. 35).

However, scholars consider that further obvious developments should be covered by the prior user right (Peter Heinrich, PatG, 2. Auf. Bern 2010, N18 ad art. 35).

## **c. Changes in types of acts carried out to work the invention**

Basically, the prior user rights are granted for the acts that were done at the date of priority of filing (Gilliéron, CR-PI, Basel 2013, N 14 ad art. 35; Calame, SIWR IV, Basel 2006, p. 484).

However, scholars consider that if prior user rights are granted to the manufacturing, the commercialization shall be also granted because one can presume that manufacturing is performed in view of a subsequent commercialization (Gilliéron, CR-PI, Basel 2013, N 14 ad art. 35, Calame, SIWR IV, Basel 2006, p. 484; K. Troller, Manuel du droit des biens immatériels, vol. 1, 2ème éd., Basel 1996, p. 462).

<Germany>

### **How courts determine if “(serious and effective) preparations” have been made**

According to Section 12, subsection (1) of the German Patent Act, *"The patent shall have no effect in respect of a person who, at the time the application was filed, had already begun to use the invention in Germany or had made the necessary arrangements for so doing."*

This provision can almost literally be found in the first German Patent Act of 1877 and

has remained largely unchanged over the years. Therefore, German case law on prior user rights is available since then and this case law from the beginning of the 20<sup>th</sup> century is regularly cited also in recent decisions by the German courts.

The general requirements for German courts in order to acknowledge "necessary arrangements" are that the prior user before the critical date (the filing or - if applicable - priority date; Section 12, subsection (2), German Patent Act)

1. has taken the definitive and final decision for a commercial use of the invention and
2. has made preparations of technical or commercial nature in order to put this decision into practice in the immediate future.

### **(1) Bundesgerichtshof "Taxilan"**

**(Federal Supreme Court decision of 21 May 1963, BGH Ia ZR 84/63)**

The decision summarizes case law for "necessary arrangements" in the context of experimentation on pharmaceutical compounds.

#### ● **Outline of the facts**

- Priority date of plaintiff's patent 27 April 1954.
- The defendant had conducted animal testing with an (alleged) equivalent pharmaceutical compound before the priority date and claimed that this animal testing was a "necessary arrangement" for a commercial use in the sense of the Patent Act.

#### ● **Court judgment**

- Decisions have to be made on a case by case basis and have to take into account all aspects of the case at hand.
- "Necessary arrangements" have to involve a definitive decision to use the invention and preparations which are directed to realize the invention in the immediate future.
- Activities (like animal testing) which are performed in order to decide whether the invention is workable or suitable for commercial exploitation are not "necessary

arrangements", if they are a prerequisite for but not a result of a definitive and final decision about a commercial use.

- Also experiments, which should identify the best compound from a group of compounds are not "necessary preparations".
- To the contrary, experimentation after a definitive decision for a commercial use (e.g. to find the best technical mode for production etc.) can qualify as "necessary arrangement".

Therefore, the court denied the prior user defense because a definitive decision to use the invention was lacking.

## **(2) Landgericht Duesseldorf "Desmopressin"**

**(Regional Court decisions of 04 September 2008, LG Duesseldorf, 4b O 402/06 and 4b O 127/07; confirmed by Federal Supreme Court decisions X ZR 131/09 and X ZR 132/09 of 12 June 2012)**

The decisions deal, inter alia, with technical and commercial "necessary arrangements" for producers and distributors in the pharmaceutical field.

### **● Outline of the facts**

- Priority date of plaintiff's utility model 02 March 2006.
- Defendant 2 produced and marketed a pharmaceutical formulation in Austria before the priority date and filed an application for a marketing authorization in Germany on 06 July 2005 (grant 15 May 2006).
- In November 2005 defendant 1 concluded a licensing and marketing contract for Germany with defendant 2 (marketing start by defendant 1 in June 2006).
- Before the priority date defendant 1 received samples, packaging and package inserts from defendant 2.
- After the priority date and the marketing start in Germany defendant 3 replaced defendant 1 as a marketing partner of defendant 2 in Germany.

### **● Court judgment**

- Filing of a marketing authorization in Germany is a sufficient technical and

- commercial preparation to qualify for prior user rights (defendant 2).
- For prior use / "necessary arrangements" all types of use of the patented invention covered by Section 9 of the German Patent Act are equally relevant (production, sale, importing etc). Therefore, defendant 1 acquired prior user rights on his own because of sufficient commercial preparations before the priority date to market the product.
  - Defendant 3 is entitled to prior user rights which derive from the rights of the producer (defendant 2).

Ultimately, the Regional Court and the Federal Supreme Court concluded that prior user rights accrued to defendants 1, 2, and 3.

**(3) Bundesgerichtshof "Kasten für Fussabtrittsroste"**  
**(Federal Supreme Court decision of 30 June 1964, BGH Ia ZR 206/63)**

The decision concerns the technical "necessary arrangements" in engineering and the requirement of good faith.

● **Outline of the facts**

- Priority date of plaintiff's utility model 17 March 1959.
- The plaintiff ordered a casting mould for a concrete box according to his invention from company A in July 1958, which was delivered to him by the end of the month. First concrete boxes using this mould were marketed by the plaintiff in November 1958.
- On 11 December 1958 the defendant ordered a casting mould for a concrete box from company A. The company delivered the same casting box model as the plaintiff's to the defendant in January 1959. By end of March 1959 the defendant started the production of concrete boxes with this mould.

● **Court judgment**

- Ordering a casting mould for the production of concrete boxes shows the definitive intent to market the respective product, by providing the technical means to produce it in the near future.
- "Necessary arrangements" are to be acknowledged for the defendant even though he



obtained the invention (indirectly via company A) from the plaintiff. Of particular relevance in this respect is that the defendant acted in good faith and that the plaintiff did not reserve his rights for a later filing of an intellectual property right, when communicating the invention to company A.

The Federal Supreme Court therefore acknowledged prior user rights for the defendant.

#### **(4) Bundesgerichtshof "Europareise"**

**(Federal Supreme Court decision of 28 May 1968, BGH X ZR 42/66)**

The court summarizes, inter alia, the requirements for prior use and "necessary arrangements" to continue up until to the filing date of the later IP right.

##### ● **Outline of the facts**

- Priority date of defendant's patent 19 July 1955.
- The plaintiff was a US-based company, which developed hearing aid devices.
- The plaintiff claimed the following: In April 1955, business negotiations with the defendant (a German company also producing and marketing hearing aid devices) took place in Germany. In the course of these negotiations the plaintiff showed samples of a device and offered it for sale. The sales offer to the defendant was repeated in September 1955. Delivery of the devices by the plaintiff to another German company started 10 October 1955.
- The defendant sued several German producers of hearing aid devices, who were using devices provided by the plaintiff, for infringement of his patent.
- The plaintiff brought an action against the defendant for non-infringement.

##### ● **Court judgment**

- Offering is an act of use of the patented invention, which on its own qualifies as prior use, even if it was only a single and unsuccessful offer. Thereby it is irrelevant, if the device was not yet produced or available in Germany.
- In the case of a prior use it is not relevant, if the use is temporarily interrupted, as long as it is not definitively abandoned or interrupted for an indefinite time.
- In contrast to that, "necessary arrangements" must not be interrupted until priority /

filing date.

- Only "necessary arrangements" in Germany can be taken into account for assessing whether a definitive and final decision for a commercial use of the invention in the immediate future and respective preparations have been made. Activities outside Germany are not to be considered.

The Federal Supreme Court remitted the case back to the Higher Regional Court.

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

**a. Changes in volume of use of the invention**

**(5) Landgericht Duesseldorf "Desmopressin"**

**(Regional Court decisions of 04 September 2008, LG Duesseldorf, 4b O 402/06 and 4b O 127/07; confirmed by Federal Supreme Court decisions X ZR 131/09 and X ZR 132/09 of 12 June 2012)**

● **Outline of the facts**

- See at (2)

● **Court judgment**

- There is no limit for quantitative changes of a prior or planned use.
- Change of distributor (from defendant 1 to defendant 3) or adding of further distributors is not a qualitative but a quantitative change and therefore allowable.

**b. Changes to embodiments of invention**

**(6) Bundesgerichtshof "Biegevorrichtung"**

**(Federal Supreme Court decision of 13 November 2001, BGH X ZR 32/99)**

● **Outline of the facts**

- Earliest priority date of plaintiff's patent 16 March 1981.
- The plaintiff produces devices for bending tubes. These were delivered to and sold by the defendant also before the priority date.
- The defendant started to produce devices according to the plaintiff's patent on his own since 1988.
- But: Prior use device is missing one feature of the patented device.

- **Court judgment**

- Previous German case law allows changes to the prior use device, which are plain equivalents or obvious for the skilled person.
- Court emphasizes that the relevant criterion for assessing changes is not a hypothetical "scope of protection" conveyed by the prior use device, but the scope of objective possession of the invention before the priority / filing date as assessed by the skilled person.
- Changes by the prior user are limited to his possession of the invention at the priority / filing date. In any case he is not allowed to use additional features of the protected invention, regardless of whether they are equivalents or obvious for the skilled person.

### **c. Changes in types of acts carried out to work the invention**

#### **(7) Landgericht Duesseldorf "Desmopressin"**

**(Regional Court decisions of 04 September 2008, LG Duesseldorf, 4b O 402/06 and 4b O 127/07; confirmed by Federal Supreme Court decisions X ZR 131/09 and X ZR 132/09 of 12 June 2012)**

- **Outline of the facts**

- See at (2)

- **Court judgment**

- The producer's prior user right is comprehensive and encompasses all types of use of

the patented invention covered by Section 9 of the German Patent Act (production, sale, importing etc.).

- Change in type of acts or performing additional acts allowable for the producer.

Other types of changes are controversial (e.g. from selling to producing). Relevant criteria in any case are the activities performed by the prior user and the level of his (commercial) possession at the critical date and the kind of activities, which are required to maintain these activities and his level of possession.

<France>

### **How courts determine if “(serious and effective) preparations” have been made**

The concept of “prior possession of the invention” is interpreted broadly by the French Courts.

In some cases law, an intellectual possession of the invention is sufficient and in other cases, evidence of acts of working or preparatory acts for working the invention are required:

- “Whereas article L 613-7 above is intended to give a right to work an invention to an inventor who did not choose to file a patent ; that the text refers to "possession of the invention" and does not require, contrary to what is submitted by the appellant, that it has been establish acts of working or even serious and effective preparatory acts” (Paris, 17 avril 2015, SARL Balipro c. SA Vinmer)
- “whereas, for it to be possible to rely on intellectual possession of the invention, this must be complete, that is to say it must relate to all of the constituting elements of the patent as they are claimed” (Paris, 14 janvier 2004, paris fors france c.MW trading APS / Paris, 20 septembre 2006, SAS Kaufler c. SA Armor Inox)
- “the fact that the company vinmer offered its product unsuccessfully cannot be rebutted by the two declarations introduced into the proceeding by the applicant as proof of marketing of the products is not necessary” (TGI Paris, - juin 2013, SARL Balipro c. SA Vinmer).
- “personal possession is established for legal purposes only when the person who

pleads it is able to establish not that he is at the stage of studies and tests but that, if he has not actually worked it, then at least that he was in a position to do so without delay (Paris, 7 novembre 1966, Potez c. Airflam)

Concerning the condition related to the possession, the possession must cover the same technology as covered by the patent, the invention must be fully known. The possession must remain secret and it must be realized before the filing or priority date of the patent.

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

[No information has been provided from FR.]

**< Spain >**

In Spain, “prior user rights” are regulated in the art. 54.1 of the Spanish Patent Act 11/1986:

*“The owner of a patent shall not have the right to prevent persons who, in good faith, prior to the date of priority of the patent, had worked the patented invention in Spain or had made serious and effective preparations to work the said invention, from continuing or commencing working it or from making preparations in the same manner as before in such a way as to meet the reasonable needs of their enterprise. This right to work the invention shall only be transferable with the enterprise.*

There’s a new Spanish Patent act that will come into force on the 1<sup>st</sup> of April 2017. Article 63 regulates Prior User Rights in almost the same way.

As a general rule, the Supreme Court considers that the prior use constitutes a limitation to the rights conferred to the proprietor of the patent ([decision 86/2006 - 13/02/2006](#)). However, this prior use right only arises when the products produced or commercialized by the prior user are the same an equal to those covered and protected by the patent.

As the **realization of the user** concerns, the Spanish case law establishes that the exploitation to be performed by the prior user must be the same as that required to the proprietor of the patent, i.e., the acts described in Articles 50<sup>9</sup> and 51<sup>10</sup> of the Spanish Patent Law [sentence **726/2013** ([Sección 9 – Audiencia Provincial de Valencia – 28/01/2014](#))]. As an example, mere experimental acts performed in a laboratory cannot be considered as realization as they are unable to turn into an industrial process and the subsequent marketing [[sentence 375/2006 \(Sección 15ª – Audiencia Provincial de Barcelona - 20/07/2006\)](#)].

### **How courts determine if “(serious and effective) preparations” have been made**

In relation with “**serious and effective preparations**” the Spanish case law considers that meaning of preparations to exploit should be related to the concept of exploitation referred to in Article 83 and 84 [sentence **726/2013** ([Sección 9 – Audiencia Provincial de Valencia – 28/01/2014](#))]. Moreover, the preparations are tantamount to having the capacity of exploiting the invention in the very short term, and not just having the intention to exploit. In this sense, the filing of a patent cannot be considered as a preparation to the exploitation.

There is not an abundant case law in Spain regarding the interpretation of “serious and concrete preparations”. Nevertheless, it can be said that the interpretation is very strict. See, for example, the following rulings:

In the decision **397/2012** ([Sección 28 – Audiencia Provincial de Madrid-21/12/2012](#)),

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<sup>9</sup> Direct use:

A) Making, offering, putting on the market or using the product which is the subject-matter of the patent, or importing or stocking the product for these purposes;

B) Using the process which is the subject-matter of the patent or, when the third party knows, or it is obvious in the circumstances, that the use of the process is prohibited without the consent of the proprietor of the patent;

C) Offering, putting on the market or using a product obtained directly by a process which is the subject-matter of the patent, or importing or stocking the product for these purposes.

<sup>10</sup> Indirect use: supplying or offering to supply to a person, other than one entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect, when the third party knows, or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect.

the supposed “serious and effective preparations” consisted in the filing of utility model 6 days after the patent had been granted. The Tribunal stated that the filing of a utility model could not be regarded as “evidence” of “serious and effective preparations” for the commercial exploitation of the invention protected by the patent).

There is another decision **375/2006** ([Sección 15 – Audiencia Provincial de Barcelona – 20/07/2006](#)) that states that preparations can only be considered as “serious and effective” if there is evidence that it was possible to exploit the invention immediately. Neither mere intentions of exploiting the invention nor researching nor testing activities constitute evidence of “serious or effective” preparations.

The Supreme Court has a decision: [1016/2007 – 08/10/2007](#) where it is stated that there was a prior user right, since the invention that constituted the subject matter of a utility model had already been sold by a company.

The decision **172/2008** ([Sección 9 – Audiencia Provincial de Valencia](#)) says that a prior user right did not arise, since the invention protected by the patent was not being exploited or being manufactured.

In the sentence **726/2013** ([Sección 9 – Audiencia Provincial de Valencia – 28/01/2014](#)), the Tribunal affirms that the fact that the invention had already been imported into Spain, and that all the advertising material had already been prepared, are signs of “serious and effective preparations”.

### **Whether such changes (following a. – c.) are to be allowed?**

#### **a. Changes in volume of use of the invention**

#### **b. Changes to embodiments of invention**

#### **c. Changes in types of acts carried out to work the invention**

As far as “**changes that are allowed**” are concerned, the Spanish legislation states that the exploitation allowed for, must be carried out:

“In the same manner as before in such a way to meet the reasonable needs of their enterprise”

The question posed is whether it would be possible to introduce changes regarding:

- **The volume of use of the invention.**
- **The embodiments of invention.**
- **Types of acts carried out to work the invention.**

It has not been possible to find any case law regarding this issue, however, since the Spanish law says “in the same manner”, it does not seem that changes in the “embodiments” or “types of acts carried out” would be admissible.

As far as “volume” is concerned, the expression “in such a way to meet the reasonable needs of their enterprise” could be construed as if there was some latitude for changes in the volume of use of the invention.

*<Japan>*

**How courts determine if “(serious and effective) preparations” have been made**

According to the decision of the Supreme Court of Japan, the requirements for determining “preparations for business as the working of inventions” (as provided under Article 79 of the Patent Act) should be construed as a “state of affairs such that a person who made an invention, which is identical to another invention for which a patent application has been made, or having acquired the knowledge from this person, has an intention to immediately work the invention, although that person has not reached the stage of starting or implementing the business involving the invention, but has clearly indicated an intention to do so in a manner and to an extent that can be objectively recognized.” (Judgment of the Supreme Court of Japan, the Second Petty Bench, October 3, 1986; Case No. 1986 (O) 454).

In other words, as the requirements for determining “preparations to work inventions in businesses,” the Supreme Court decision determined that: persons, who completed the making of their inventions, actually intend to implement businesses by working their inventions, and such intentions are not only held by themselves but also recognized objectively by their acts or conduct. For more specific details, please refer to the following court decisions. Those decisions indicate that the extent of preparations for



business, which serve as evidence for an “intention to immediately work inventions,” could vary depending on the details of the inventions and their intended use. And furthermore, they indicate under what circumstances such intention can be regarded as “clearly indicated to do so in a manner and to an extent that can be objectively recognized.”

### **Court Decisions that Recognized Preparations to Work or Use Inventions in Businesses to Be Entitled to Qualify Prior User Rights**

#### **(1) “Walking-beam type furnace” case**

**(Judgment of the Supreme Court of Japan, the Second Petty Bench, October 3, 1986; Case No. 1986 (O) 454)**

##### **● Outline of the facts**

- On around May 20, 1966, the alleged infringer received a solicitation from F Corporation to bid for a heating furnace. (The solicitation was for a bid and estimates).
- From July the same year, based on the suggestion from F Corporation, the alleged infringer started the estimate and design work for a walking beam type heating furnace with an electric powered vertical drive.
- On around August 31, the alleged infringer submitted the specifications of the estimate and the design plan to F Corporation for Product A, i.e. an electric walking beam type heating furnace.
- After that, the alleged infringer, in expectation of the order, worked on preparations for the order, by, for example, asking estimates for the various parts from its subcontractor. However, in the end, the alleged infringer did not received the order from F Corporation for its product. Nonetheless, afterwards, every year when there was a solicitation from steel companies for a walking beam type heating furnace, the alleged infringer company took part in the bids.
- Priority Date of the patent application: February 26, 1968
- In May 1971, the appellee company produced and made its own walking beam type heating furnace for the first time.

##### **● Court judgment**

“The original instance court has also lawfully found that the walking beam type heating furnace requires substantial time from the inquiry and the acceptance of an order to the supply of the product, and also it is not a mass-production product, but its production begins only when an order has been placed, and that parts and components are not stored in advance. Taking into consideration such characteristics of the industrial heating furnace, the appellee did have an intention to immediately work the invention involving Product A, and also this intention had been clearly indicated in a manner and to an extent that can be objectively recognized by the act of submitting the above estimate and specifications to F Corporation.”

**(2) Court decision that recognized the completion and delivery of trial product as preparations to use the invention in business  
(Judgment of the Tokyo District Court, March 11, 1991)**

In this case, based on a specimen being provided by its ordering party, the defendant requested its subcontractor to make a trial product, received the delivery of the trial product from the subcontractor, and then delivered it to the ordering party. After that, the plaintiff filed an application to register a design that is similar to the design of the product. However, afterwards, without knowing the filed design, the defendant received an official order for its product from the ordering party, whose design was identical with that of the trial product, placed an order to the above subcontractor to make the product, and received the delivery. Since then, the defendant continued to produce and sell the same product to the above ordering party and third parties. Based on these facts, the court determined that, when the plaintiff filed the design application, the defendant actually derived knowledge from the entity who created the design, i.e. the ordering party, began preparations to use the design in its business as the working of the design.

**(3) Court decision that recognized the manufacturing and sales of a trial product for made-to-order products as preparations to use the invention in business  
(Judgment of the Osaka District Court, October 7, 1999)**

“The court found that the first machine of the fork claw made by the defendant was a trial product before its mass production. Although, the court recognized that this kind of fork claw for a power shovel was usually manufactured as a made-to-order product. When considering the fact that the defendant actually sold the product to its customers

and obtained its value, it should be said that the defendant was actually conducting business activities connected with the working of the fork claw, which is involved with the claimed device. Even if it was not the case, the court determined that the defendant began preparations to work the fork claw in its business.”

**(4) Court decision that determined preparations to use the invention in business despite revisions being made to the basic design and estimates  
(Judgment of the Tokyo District Court, April 27, 2000)**

With regard to an invention of a manufacturing process of chemical compound, prior to the effective priority date of a patent application for the same invention, the defendant made the plant design and the basic design and the estimates for its construction, in order to work the invention, i.e. the manufacturing process. After the priority date, although some revisions were made to the basic design and the estimates of the construction cost, no revision was made to the invention itself, i.e. the manufacturing process of the chemical compound. Based on this, the court determined that the defendant actually conducted preparations to use the invention in its business before the priority date.

**(5) Court of the second instance for the above case (4)  
(Judgment made by court of the second instance on the judgment of the Tokyo District Court, April 27, 2000; Judgment of the Tokyo High Court, March 22, 2001)**

The Tokyo High Court determined in the court of the second instance that “there is absolutely no reason for the term ‘preparing to work the invention in business’ to be inevitably interpreted as that the preparation would have been advancing to the stage of assuring the implementation of the business involving the invention.” And, when a plant design, a basic design for construction, and estimates for construction costs were conducted to work the patented invention, i.e. the manufacturing process, before the effective priority date of a patent application for the same invention, and even if the basic plan and the estimates were revised after the priority date, the Tokyo High Court recognized that the defendant actually conducted “preparations to use the invention in its business before the priority date.” That was because there were no circumstances under which the plant construction plan was scrapped, or a new basic plan by using other process was requested to other company.

- (6) Court decision that determined the start of mold manufacturing, based on the defendant's intention to immediately work the invention and the fact that the defendant clearly indicated an intention to do so in a manner and to an extent that can be objectively recognized  
(Judgement of the Osaka District Court, July 28, 2005)**

The court determined that the defendant had an intention to immediately work its device before a utility model application was filed for the same device, and that the defendant clearly indicated an intention to do so in a manner and to an extent that can be objectively recognized. That was because: (1) before the date of filing the utility model application, the defendant completed the drawings of a mold for forging, ordered materials for a trial product, and started manufacturing the mold; (2) after the date of the filing, the defendant completed the mold, conducted a trial manufacture of forging; and (3) around the same time, the defendant ordered the materials for the product, conducted a mass production of the product, and sold the products.

- (7) Court decision that recognized preparations to use the invention in business by the defendant's acts directed toward manufacturing its pharmaceutical product in the invention involving a method for producing a bioactive protein  
(Judgement of the Tokyo District Court, March 22, 2006)**

The court determined that prior user rights should be granted to the defendant's invention involving a method for producing a bioactive protein, i.e. gene-recombinant human erythropoietin, and a gene-recombinant human granulocyte colony. That was because the defendant clearly indicated an intention to immediately work the invention in a manner and to an extent that can be objectively recognized, by the defendant's own acts of (1) requesting the Minister of Health, Labor and Welfare to confirm the compliance of the defendant's manufacturing facility with the certain guidelines set by the Ministry, (2) sending certain reports to the Minister, such as submitting written notices of plans for clinical trials, and (3) completing and operating the facility to manufacture the bioactive protein.

### **Court Decisions that Denied Preparations to Work or Use Inventions in Businesses**

- (1) Case in which preparations to work the invention in business of the defendant**

**were denied due to a trial model before the improvement  
(Judgment of the Osaka District Court, June 30, 1988)**

After questioning the accuracy of the defendant's statements as to when its device in dispute was created and developed, the court determined that it could not recognize that the defendant had an intention to immediately work the invention, even if the statements would be true. That was because, before an application was filed to register a utility model for the same device, the device being made by the defendant remained at the stage of a trial model that would need improvements. Also, the timing when the court could recognize that the defendant clearly indicated an intention to immediately work the invention in a manner and to an extent that can be objectively recognized was the time when the defendant completed manufacturing the trial product on which improvements were made after the tensile test, and ordered the mold, at the earliest. (It should be noted that, in the judgment, since the court expressed questions about the accuracy of the defendant's statements as to the development timing of the device in dispute, the question about the statements may affect the judge's impression.)

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

**a. Changes in volume of use of the invention**

It was interpreted that the scale of businesses can be expanded “as long as they are in line with their companies’ business purposes.” The Tokyo High Court determined in the “globe type radio<sup>11</sup>” case that “the scope of granting non-exclusive licenses for inventions to parties based on their using the inventions prior to rights applications for such inventions being filed” is limited to the scope of business that prior users have actually conducted when such applications were filed. However, the Court also recognized that the business purposes can be justifiably expanded or strengthened if this is within the scope of these business purposes. Nonetheless, the possible extent of expansion “within the scope of business objectives” may depend on the particular circumstances of cases.

Also, an increase in import volumes can be regarded to be allowed “within the scope of business objectives.” Nonetheless, the possible extent of increase may vary in cases.

In addition, the expansion of sales areas by sales promotions may be allowed “within the scope of business objectives.” Nonetheless, the possible extent of sales promotions may depend on the actual cases.

**b. Changes to embodiments of invention**

Article 79 of the Patent Act of Japan can be interpreted to mean that non-exclusive licenses can be granted, in principle, only when embodiment A is within the scope of the patent claims. Based on this, in the court decisions, prior user rights may not be granted to the working of inventions by prior users when the working, which had been conducted before patent applications were filed for the same inventions, was not within the technical scope of the patented inventions. That was because the courts determined that, after the applications were filed, the prior users made some changes to the embodiments and did the so-called “working” by using these changed embodiments

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<sup>11</sup> Judgment of the Tokyo High Court, September 29, 1966 (Case number: 1961(Ne)2881).

within the technical scope of the patented inventions.

More specifically, in the court decision made by the Tokyo High Court on March 8, 1978, the court determined that: “Since the trial product lacks at least (1) and (2) of the component requirements for this device, it cannot be said any more that the details of the trial product and those of this device are identical. Based on this, even though that fact that the plaintiff manufactured the said trial product, the court cannot determine that the plaintiff had prepared to conduct business activities connected with the working of the device before the utility model application was filed to register this device.”

Also, in the court decision made by the Osaka District Court on November 30, 1970, although the court found that the defendant actually conducted business activities that included manufacturing and selling metal fittings for measuring gauges, i.e. the device in dispute on the date when an application was filed to register utility model C, the court determined that “the device in dispute cannot be recognized as a product that was identical with utility model C or the working of the equivalent device. Therefore, although the defendant made a plea that the defendant should have a non-exclusive license based on the prior use in regard to utility model C, such plea is unreasonable and should be rejected.”

### **c. Changes in types of acts carried out to work the invention**

Under Article 79 of the Patent Act of Japan, prior user rights are stipulated as follows: “A person who has been working the invention or preparing to work the invention in Japan at the time the patent application was filed” “shall have a non-exclusive license on the patent right, only to the extent of the invention and the purpose of such business worked or prepared.”

Based on this, when there is at least the fact that companies had manufactured and sold their products involving a prior use before patent applications were filed for the same inventions, these companies are entitled to have non-exclusive licenses in terms of manufacturing and selling their products. Likewise, when persons who had imported and sold products in Japan before others filed patent applications for the same inventions, and if these products were within the technical scope of the patented inventions, they would have non-exclusive licenses in terms of the acts of importing and

selling these products in Japan. The same is true when it comes to preparing the working of inventions.

Then, we will discuss an issue as to whether or not prior users can change types of the acts of working patented inventions stipulated under Article 2 (3) of the Patent Act. More specifically, when companies had bought and sold products involving a prior use before other entities filed patent applications for the same inventions, should they be allowed to manufacture and sell these products involving the prior use after the patent applications were filed? Since Article 79 of the Patent Act stipulates that “A person who has been working the invention ... shall have a non-exclusive license on the patent right, only to the extent of the invention and the purpose of such business worked..,” it can be said that prior users may acquire non-exclusive licenses only when their acts of working inventions are within the purposes of business activities involving the working of the inventions.

Therefore, in principle, persons who bought and sold the products involving a prior use may be entitled to acquire prior user rights only for the act of selling (transferring) products as the working of the inventions. Based on this, prior user rights to manufacture the products involving the prior use should not be granted. The same is true with preparing the working of inventions.

There are some court cases related to this. In one case, when a defendant, i.e. an affiliated company, bought a product manufactured by its parent company and sold it before the other company had filed a patent application for the same invention, the court found the fact that, after the patent application was filed, the defendant itself manufactured and sold the product. Based on this, the court determined that prior user rights should not be granted to the defendant in terms of the act of manufacturing the product. (Judgment of the Nagoya District Court, April 28, 2005)

Also, in another court case, when a company imported and sold a product on the date when a patent application was filed for the same invention, the court determined that prior user rights may be granted to the company in terms of the act of importing and selling the product. (Judgement of the Tokyo District Court, January 28, 2000) Nonetheless, in this case, after the patent application was filed, the prior user only imported and sold the product.



As stated above, with regard to the acts of working patented inventions stipulated under Article 2 (3) of the Patent Act, prior user rights holders should not be allowed, in principle, to conduct the acts that are different from those to which the prior user rights are granted.

Based on the above, in principle, when persons had bought and sold products involving prior user rights in Japan, they were not allowed to import these products after other persons filed patent applications for the same inventions. However, for example, when persons manufactured products involving prior user rights, and if, after other persons filed patent applications for the same inventions, they subcontracted manufacturing to companies overseas based on the specific shapes and specifications and received all of these subcontracted goods, the court may determine that the companies manufactured and sold the products in Japan in either cases of before and after the filing of patent applications. Accordingly, when companies had started the act of importing products involving prior user rights after other entities filed patent applications for the same inventions, the court may determine that these acts should not fall under patent infringement.

- **Specific Cases Related to Acts of Working Inventions in Japan**

- (1) If companies had completed the making of their inventions but had not begun preparations to work them in their businesses at the time when patent applications were filed for the same inventions, they are not entitled to claim prior user rights involving these inventions.
- (2) When companies had manufactured and sold products involving prior user rights before patent applications were filed for the same inventions, they are entitled to claim prior user rights in terms of the acts of manufacturing (producing) and selling (assigning) these products, as long as they meet the other requirements stipulated under Article 79 of the Patent Act.
- (3) When companies had manufactured products involving prior user rights and used them in their factories before patent applications were filed for the same inventions, they are entitled to claim prior user rights in terms of the acts of manufacturing (producing) and using these products, as long as they meet the other requirements stipulated under Article 79 of the Patent Act. Of course, in conjunction with

conducting these acts, when it is recognized that preparations they done to sell these products before the patent applications were filed, the companies are entitled to claim prior user rights also in terms of the act of selling (assigning) the products.

- (4) When companies had imported and sold products involving prior user rights before patent applications were filed for the same inventions, they are, in principle, entitled to claim prior user rights in terms of the acts of importing and selling (assigning) these products, as long as they meet the other requirements stipulated under Article 79 of the Patent Act.
- (5) When companies had begun preparations to manufacture and sell products involving prior user rights before patent applications were filed for the same inventions, they are, in principle, entitled to claim prior user rights in terms of the acts of manufacturing (producing) and selling (assigning) these products, as long as they meet the other requirements stipulated under Article 79 of the Patent Act.
- (6) When companies had begun preparations to import products involving prior user rights before patent applications were filed for the same inventions, they are, in principle, entitled to claim prior user rights in terms of the act of importing these products, as long as they meet the other requirements stipulated under Article 79 of the Patent Act.

*<the Republic of Korea>*

**How courts determine if “(serious and effective) preparations” have been made**

The Patent Act Article 103 of the Republic of Korea stipulates the following:

“A person who has made an invention without having prior knowledge of the contents of an invention claimed in an patent application, or has derived the invention from the person and has been conducting or **preparing** business activity with the working of the invention at the time of the filing of the patent application, shall have a non-exclusive license on the patent right of the patent application. Such license shall be limited to the invention and the purpose of the business activity which is being worked, or for which **preparations** for working have been made.

However, it has not been possible to find any case law regarding the specific interpretation of the “preparation”.

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

According to the Patent Act, the license shall be limited to the invention and the purpose of the business activity which is being worked, or for which preparations for working have been made.

No specific case law has been found regarding the changes in volume or types of acts and only one case at a lower instance has been found regarding the changes to embodiments of invention.

**(1) Judgment of the Seoul Central District Court, February 18, 2009;  
2007GAHAP77557**

● **Outline of the facts**

- The claimed invention consists of ① reinforced concrete walls, 1.8 to 2.5m height from the foundation, which are built and the walls are retained, and ② corrugated steel plate which is assembled as full semi-circular type
- Before claimed invention of this case was filed, the defendant had built constructions using the technical methods, including corrugated steel plate construction method on the basis of semi-circular design with block foundation, corrugated steel plate construction method on the basis of low arch design with retaining wall foundation, corrugated steel plate construction method on the basis of semi-circular design with block foundation, corrugated steel plate construction method on the basis of high arch design with mat foundation, corrugated steel plate construction method on the basis of semi-circular design with block foundation.

- **Court judgment**

The plaintiff argues that the defendant does not have non-exclusive license based on prior use since construction methods that defendant priorly used does not include the embodiments ① and ② mentioned above at the same time.

However, it is recognized that - in accordance to the use of construction and construction field, corrugated steel plate can be assembled as various designs such as low arch design, high arch design, or semi-circular arch design, etc., and geological and geographical features of the construction place also influence foundations, including foundation with retaining walls or mat foundation on which walls are built, or block foundation without walls which is rectangular foundation and on which the construction is directly built; at the time of filing of this claimed invention, the construction method that retaining walls are joined to arch corrugated steel plate was publicly known art; height or size of walls of corrugated steel plate (retaining wall) is variable based on the engineering knowledge; and plaintiff admits the corrugated steel plate construction methods with high arch and circular design were priorly used by defendant. Therefore, it is quite clear that validity of non-exclusive license based on the prior use of defendant reaches not only working type which defendant has already conducted at the time of filing of this claimed invention, but also working type of implemented invention combined with embodiments ① and ②, which seems flexible to be changed within the scope of identity of the invention.

### <Sweden>

In Sweden there are only five court decisions regarding prior user rights. Three of those are dated before the current Patents Act (the current Act is from 1967): Supreme court ruling October 23, 1940, published as NJA 1940 B 854 and 855, Supreme Court ruling on April 22, 1948, published as NJA 1948 p. 156 and Supreme Court ruling June 14, 1951, published as NJA 1951 p. 492. The other two court cases have been decided by the District Court of Stockholm, and were not tried on appeal: joined cases no T 927-04 and 2479-04 on October 19, 2006 and joined cases no T 26687, T 1370-07 and T 15455-07 on March 31 2011. None of the court decisions concern the questions relating

to changes in volume of use, types of acts or embodiments of the invention.

Thus the only question which has been dealt with in a court in Sweden, is about how determine if substantial preparations have been made (according to Swedish patent law the terminology is “substantial preparations”). This was an issue in the case from the District Court 2011.

### **How courts determine if “(serious and effective) preparations” have been made**

The actions must be in preparation of a use within the scope of the patent. Whether preparatory actions are so substantial that they constitute prior user rights has to be based on the circumstances and on which factors that would be required to start the actual usage. Actions which under the circumstances are minor cannot constitute prior user rights even if the costs to undertake them are high (Government bill 1966:40 page 98-99.) It is not necessary that all preparations required to use the invention have been conducted. Preparations to file a patent application do not give prior user rights (Joint Nordic Report NU 1963:3 page 157.)

In the latest decision from the District court mentioned above it was concluded that the signing of a distribution agreement and applying for an (amended) marketing approval was not sufficient as preparatory acts for use of the invention in Sweden. Partly, as it appears, this was due to that it was still unclear whether the product would eventually be launched in Sweden at the effective filing date of the patent application.

(For your information the Supreme Court in the case from 1940 mentioned above, stated that a patent infringement had taken place, and therefore the request for prior user rights was rejected. The court stated that there was no relevant use for prior user rights, nor any substantial preparations for such use.

In the case from the Supreme Court 1948 the main conclusion was that a person who has received a patent because of a transfer, can only take legal measures concerning patent infringement after he has been noted in the patent register as the patent owner. Therefore the Court agreed with the person who stated prior user rights, saying that even if a relevant use was not shown, substantial preparations for such use were shown. In the case from 1951 the Supreme Court stated that the company claiming prior user rights (Astra) had manufactured the product in question, with the – later patented – method. The product had however not been immediately used as a medicinal product but used at laboratory experiments. The Supreme court ruled that Astra had no intention

of using the small quantity of product manufactured in another way than experiments and that they at the time of the patent application was not using the invention. The use must be intended to happen in immediate connection to the preparations, so there will be no substantial time gaps between the preparations and the use. On the other hand, circumstances may make such a time gap necessary, for instance with extensive clinical trials required for new medicinal products.

In the case from 2006 the District Court stated that to be able to receive prior user rights, it is necessary that the use is going on at the time when the patent application is filed. If the use has ceased at that time there are no prior user rights. The party who ask for prior user rights has to show that such use took place during the time when the application was filed which was not done in this case according to the Court.)

### **<United Kingdom> (provided by EPO)**

The prior user right in the UK is set forth in Sec. 64 of the UK Patents Act, quoted below:

Right to continue use begun before priority date

64.-(1) Where a patent is granted for an invention, a person who in the United Kingdom before the priority date of the invention -

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(a) does in good faith an act which would constitute an infringement of the patent if it were in force, or

(b) makes in good faith effective and serious preparations to do such an act, has the right to continue to do the act or, as the case may be, to do the act, notwithstanding the grant of the patent; but this right does not extend to granting a licence to another person to do the act.

(2) If the act was done, or the preparations were made, in the course of a business, the person entitled to the right conferred by subsection (1) may -

(a) authorise the doing of that act by any partners of his for the time being in that business, and

(b) assign that right, or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made.

(3) Where a product is disposed of to another in exercise of the rights conferred by

subsection (1) or (2), that other and any person claiming through him may deal with the product in the same way as if it had been disposed of by the registered proprietor of the patent.

The right is framed in narrow terms: “a person who [...] does [...] an act [...] has the right to continue [...] to do that act.”

### **How courts determine if “(serious and effective) preparations” have been made**

Summary: For serious and effective preparations to be recognized as such, UK courts require: (1) preparations which are “effective”, without defining the term further; but these preparations must be advanced enough to show (2) that a decision has been made to do the infringing act; and (3) so as to be “about to result” in the infringing act being done. It is noted that this three-pronged test is similar to the approach taken by the German courts, although German case law is more detailed, given the long history of the prior user right in German law.

#### **(1) *Helitune Ltd. v. Stewart Hughes Ltd* [1991] FSR 171 (Patents Court, Aldous, J.)**

Facts: At the priority date, the defendant had produced a prototype of an active tracker (a method of detecting the degree of unbalance of helicopter rotor blades) which was fitted on a helicopter, but without the necessary computer attached, with a view to further development. However, at the critical date, the defendant was engaged in developing a passive tracker (which did not fall within the claims of the patent) and was not making preparations “to turn the laser tracker into a vendible product or to do anything with it”. Thus, at the critical date, the defendant had not reached the position where he had decided to sell an active tracker, as its efforts were focused on producing a passive tracker (pp. 207-208).

Due to this absence of a decision to sell an active tracker and pursuit of other avenues at the critical date, the court held that the defendant had not reached the stage of making effective and serious preparations to sell an active tracker, and thus, a prior user right did not arise (p. 208).

**(2) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1997] RPC 195 (Patents Court, Jacob, J.)**

Facts: Before the priority date, the defendants had imported into the UK and supplied to potential customers for testing purposes a small first batch of a product made on a pilot plant scale. The defendants had contemplated manufacture of the product in the UK, but at the priority date, the project was at a very preliminary stage and no decision had been taken to do so. Post-grant, the defendant sold a commercial product made to the same specifications as the pilot-plant batch, but from a slightly different starting material, as well as two other products made to different specifications.

The Court held that preliminary planning for the manufacture of one product with no decision yet made did not suffice to give rise to prior user rights. “By the priority date, nothing effective had been done at all. “ A very preliminary stage”, with no decision yet made, is not enough to fall within the words [effective and serious preparations]. Nor do I think that two customer trials add anything. They were undoubtedly serious, but hardly a ‘preparation’.” (p. 216)

**(3) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1998] EWCA Civ. 744 (England and Wales Court of Appeal – Roch, J.; Aldous, J., Brooke, J.)**

The court held that “the word ‘effective’ qualifies the word ‘preparations’”. There must be something more than preparations to do an infringing act. What more will depend upon the nature of the product and all the surrounding circumstances, but in all cases, the preparations must be so advanced as to be about to result in the infringing act being done”.

At the priority date, manufacture was contemplated, but there was no decision, and nothing effective had been done. Effectiveness must be measured immediately before the priority date. Thus, no defence would have arisen under Sec. 64. (The patent was held invalid.)

**(4) Qual-Chem Limited v. Corus UK Limited [2008] EWPC 1 (Fysh, J.)**

Where trials carried out by a third party on behalf of the defendant and relied upon to raise the defence did not make use of the process falling within the ambit of the claims



of the patent, the defence under Sec. 64 failed, because there was no infringing act prior to the priority date and the activities had not been carried out by the defendant.

**(5) Forticrete limited v. Lafarge Roofing Limited [2005] EWHC 3024 (Ch)  
(Kitchin, J.)**

The defendant was held to have shown an arguable case that it made effective and serious preparations as they were “so advanced as to be about to result in the commercial sale and marketing of that tile”. The defendant commissioned an in-depth design study, made a mini-production run, following which the defendant commissioned a third party to design and build the pallets and machinery required to produce tiles on a pilot plant scale. 200 to 400 tiles were then produced for use in a laying trial, and another trial was conducted to determine how the tiles could be configured for packaging and presentation. Hundreds of tiles were then produced to conduct wind tunnel tests and strength tolerance tests. By the priority date, the design of the tile was settled and the defendant was making final preparations to go into full-scale production.

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

**a. Changes in volume of use of the invention**

There appears to be no case on point with regard to changes in volume, but the same principle enunciated with regard to changes to the embodiment of the invention would seem to apply and suggest that there would be no issue with adjusting production or use to demand as the evolving circumstances would allow or require for the needs of the prior user’s business.

**(1) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1997] RPC 195  
(Patents Court, Jacob, J.)**

If the protected act has to be exactly the same (whatever that may mean), as the prior art, then the protection given by the section would be illusory. The section is intended to give a practical protection to enable a man to continue doing what in substance he was

doing before. (p.216)

## **b. Changes to embodiments of invention**

### **(1) Helitune Ltd. v. Stewart Hughes Ltd [1991] FSR 171 (Patents Court, Aldous, J.)**

The court held that Sec. 64 relates to acts which are an infringement, and not to any particular product or process, and “provided a person has carried out an infringing act before the priority date [sic] he can continue to carry out that act even though the product or process may be different to some degree. [...] the fact that he alters that process after the priority date does not matter.” (p. 206)

### **(2) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.1) [1992] RPC 281 (Patents Court, Laddie, QC)**

Facts: The defendants had sent samples of a lubricant oil additive to various potential customers in the UK prior to the priority date, and alleging serious and effective preparations, argued that this gave them immunity in respect of similar activities in respect of other infringing products, which had not even come into existence until after the priority date.

Disagreeing with Aldous, J., in Helitune, Laddie, QC observed “I have difficulty in accepting that, for example manufacturing product A before the priority date he was given the right to manufacture any product after the priority date” and held that Sec. 64 safeguarded existing commercial activity, but was not “meant to be a charter allowing him to expand into other products and other processes.” (p. 295)

### **(3) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1997] RPC 195 (Patents Court, Jacob, J.)**

Jacob, J. also disapproved of Aldous, J.’s approach, and held that it was the “doing of that act” which was protected, not “any act which would otherwise be an infringement” (p. 215).

The court rejected the suggestion that the nature of the protected acts depended in some way on the claims of the patent specification. “An act is protected or not depending on what it was, not on the somewhat adventitious manner in which a patentee may have chosen to cast his monopoly.” (p. 216)

As some products “were regarded as commercially distinct [than the one the defendant allegedly prepared to use prior to the critical date], had different product specifications and were given different numbers for that reason”, the court concluded that they were not protected. (p.216)

“However, the protected “act“ of the section - means an activity which is substantially the same as the prior act or act for which substantial and effective preparations were made. In deciding whether the activity is substantially the same, all the circumstances must be taken into account. That is important in a case such as the present where there are inherent minor variations in starting materials or the like. If the protected act has to be exactly the same (whatever that may mean), as the prior art, then the protection given by the section would be illusory. The section is intended to give a practical protection to enable a man to continue doing what in substance he was doing before. (p.216)

**(4) Lubrizol Corporation v. Esso Petroleum Co. Ltd. (No.2) [1998] EWCA Civ. 744 (England and Wales Court of Appeal – Roch, J.; Aldous, J., Brooke, J.)**

In appeal, Aldous J. stated that his words in Lubrizol 1 had been read in a way not intended and quoted with approval the last two sentences of the passage above (underlined).

**(5) H. Lundbeck A/S v. Norpharma SpA [2011] EWHC 907 (Pat) (Floyd, J.)**

The defendant had imported citalopram made by a particular process prior to the priority date, and had a Sec. 64 defence in relation to citalopram produced by that process. However, it changed its production process to a new, “operationally different” process (ironically, to avoid being accused of infringement). The same product made by a different process was deemed not to fall within the purview of the protection of the section.

**(6) Hadley Industries Plc v. Metal sections Limited [1998] EWHC Patents 284**

The defendant sold a product manufactured according to a process prior to the priority date, but then began using a product much more similar to that of the patentee's which incorporated the teaching of the patent. In the absence of any showing of development documents, the court was not convinced that there was a "chain of causation" between the prior use and the use after the priority date, and the defence under Sec. 64 failed. (§§ 167-174)

**(7) Forticrete limited v. Lafarge Roofing Limited [2005] EWHC 3024 (Ch) (Kitchin, J.)**

The defendant was held to have shown an arguable case that it made effective and serious preparations to produce a tile. However, when later, the defendant began to design and manufacture a different tile, the court held he could not rely on his prior use of the first file to claim a Sec. 64 defence where the evidence established "only the vaguest of relationship between the two products". A "chain of causation", as referred to in the Hadley case, was not in itself enough to establish a defence under Sec. 64. The defendant must be seeking to safeguard the commercial activity undertaken prior to the priority date, or show that the activities post-grant are substantially the same as those carried on or prepared for prior to the priority date. (§ 28)

**c. Changes in types of acts carried out to work the invention**

**(1) Helitune Ltd. v. Stewart Hughes Ltd [1991] FSR 171 (Patents Court, Aldous, J.)**

The court held that the right was limited to the acts of infringement set out in Sec. 60 of the Act which had been done or for which effective and serious preparations had been made. The court illustrated the point by giving the example of a person who had in good faith imported a product which would have infringed the patent had it been in force: the "section enables him to continue to import the product but not to sell it unless the importation amounted to an effective and serious preparation to sell it." (p. 206)

<United States>

**Whether such changes (following a. – c.) are to be allowed?**

**a. Changes in volume of use of the invention**

**b. Changes to embodiments of invention**

**c. Changes in types of acts carried out to work the invention**

With respect to item a. Changes in volume of use of the invention, 35 U.S.C. 273 (e)(3) provides that “The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except **that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter**, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent. [Emphasis added]

To our knowledge, we have no case law on items a.-c.