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Date of the judgement

1986.10.03

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Case Number

1986(O)454

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Reporter

Minshu Vol.40, No.6, at 1068

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Title

Judgment upon the case concerning the meaning of the 'preparation for business to work the invention' as provided by Article 79

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Case name

claim for the recognition of the right based upon prio use and the counter claim for an injunction and compensation based upon a patent and a license

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Result

judgment of the Second Petty Bench, dismissed

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Court of the Second Instance

Nagoya High Court

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Summary of the judgement

1. The 'preparation for business to work the invention' as provided by Article 79 means that there is an intention to immediately work the invention which is identical to the invention for which patent application has been made, and such an intention has been expressed in a manner

and to an extent which is objectively recognisable.

2. The non-exclusive right to work the invention extends not only to the form of working the invention which the prior user had been working with or was preparing, but also to the modified form insofar as it is identical to the invention as represented in the form of working.

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Main text of the judgement

The jokoku appeal shall be dismissed.

The cost of the jokoku appeal shall be borne by the jokoku appellant.

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Reasons

On Item 1 of the grounds of jokoku appeal by the representative of the jokoku appeal, RM:

The fact-finding and ruling of the original instance court on the argued points are justifiable in light of the evidence listed in the judgment of the original instance court, and there is no unlawfulness in the process as argued. The arguments merely criticise the selection of evidence and fact-finding, which fall within the exclusive power of the original instance court, and the arguments are not acceptable.

On items 2 and 3:

I. The outline of the facts lawfully established by the original instance court is as follows:

1. The jokoku appellant P1 claimed priority under the Paris Convention for the invention at question in the present case (hereinafter, 'the Invention') on the basis of the patent application in the United States on February 26, 1968 (the date of the patent application in the United States which is the basis of the claim for priority shall be called hereinafter, 'the Date of the Claim for Priority'), applied for a patent in Japan on August 26, 1968, and after the publication of the application on October 12, 1971, on May 30, 1980, had the patent registered (registration number 999931). The scope of the patent claim in the specification attached to the application (after the modification) is as follows:

'A conveyor, characterised by a mobile beam for carrying machines through the fire proof chamber of a furnace. The conveyor contains at least two pairs of conveyer rails to support the machine alternately and a carriage to move at least one pair of the above rails against another

pair of conveyor rails in a mutually related way. Each of the conveyer rails have several supporting pads for the machines and also contain a pair of beams which stretch along the lower part of the above carriage and at least four revolving eccentric wheels which are fixed at the lower part of the above parallel beam and support the beam and the carriage as well as making them move vertically up and down, and also contain a mechanism for horizontal movement in order to move the carriage independent of the vertical movement of the wheels. Each of the wheels have an external ring which can freely turn in order to support the bottom of the parallel beam'

The functions and effects of the Invention are as follows:

- (1) It enables several large slabs, brooms or billets of steel to be heated and conveyed at once and thus, it is possible to heat each machine as a whole up to an even temperature;
- (2) It is possible to effectively carry a long machine, even if it is distorted, through the furnace;
- (3) Both horizontal and vertical movement to and fro and up and down are possible;
- (4) It is possible to expose effectively the entire surface of the slab to the heat in the furnace;
- (5) It is possible to remove or reduce the mark on the slab surface and the chilled points caused by the contact with the slab support;
- (6) It provides a simple and solid piece of equipment which efficiently disposes of more than 1.5 million pounds of weight and is easy to handle and maintain.

The jokoku appellant, P2 Industry Co. (hereinafter, 'the jokoku appellant P2') had a non-exclusive right to work the Patent on March 6, 1981 and had it registered on August 21, 1981.

2. The jokoku appellee company received a solicitation from R Corporation (hereinafter, 'R') for a heating furnace which was to be used at their S Work on around May 20 1966 (which solicitation was for a bid and accompanying estimate). Initially, the jokoku appellee made an estimate and designed the conventional pusher type heating furnace with a disposal capacity of 100 tons per hour, but from July the same year, under the suggestion of R, started the estimate and design work for the walking beam type heating furnace with a disposal capacity of 120 tons per hour with an electric powered vertical drive, and on around August 10 of the same year, had a solicitation for the above furnace from R and completed the design and estimate with tremendous efforts, and submitted the specifics of the estimate (evidence of the plaintiff No.6-49) and the plan (ibid., nos.119 to 121).

3. Afterwards, the jokoku appellee company prepared presentation materials for the walking

beam mechanism of the above electric heating furnace and visited S Work to present an explanation and, in expectation of the order, asked for estimates for various parts from subcontractors and showed T the plan for the part for the power mechanism including the eccentric cam used for the vertical power mechanism and asked for an estimate. On September 20, R asked for a reconsideration of the design concerning several points including the change of power from electric to oil pressure, and therefore, the jokoku appellee submitted a plan for the walking beam type heating furnace with oil pressure power to R on September 27.

4. In the end, on around November 19 of the same year, it became clear that the order from R would not come through, but the jokoku appellee company preserved the estimate and specifics it had prepared when there was a solicitation from R. Afterwards, every year when there was a solicitation from steel companies for the walking beam type heating furnace, the jokoku appellee took part in the bid, and in 1967 and 1968, prepared estimates and designs for an oil pressure system (in relation to the power system for vertical movement) in two cases each year. In 1969, 2 electric systems and 4 oil pressure systems, in 1970, 3 electric and 4 oil pressure systems, and in 1971, 2 oil pressure systems were designed, and the jokoku appellee succeeded in securing an order for 1 oil pressure system in 1967 and 1969, 2 electric systems and 1 oil pressure system in 1970, and 1 electric system each in 1976 and 1977.

With a walking beam type heating furnace, whether an electric power system with a eccentric cam or an oil pressure system would be used for the vertical power mechanism depended on the preference of the user.

5. The electric powered walking beam type for which the jokoku appellee company submitted the estimate and design to R for a sales purpose is Product A on List 2 attached to the judgment of the first instance court. The jokoku appellee company, as mentioned above, failed to secure an order from R, but if the order had come from R, the jokoku appellee had intended to ascertain final specifics of the equipment after detailed negotiation with the S Work based upon the above estimate and design, to prepare the final plan (design plan for the product) and in accordance with this plan, to build the furnace.

6. The jokoku appellee company has been producing and marketing the walking beam type heating furnace listed on List 1 attached to the judgment of the first instance court, e.g. Product Y, since the company provided this to the V Work of U Corporation (hereinafter, 'U'). Product Y is in its basic structure, identical to Product A and together with A, belongs to the technical scope of the Invention, but in four points, i.e. the system of fixing the eccentric wheel and the axis which make the walking beam move, the bearing structure of the wheel, the structure to prevent side swaying of the beam supporting the walking beam, and the system of power for the eccentric axis, has specific structures as listed in the above List 1-2, items 1 to 4, and differs from Product A which has specific structures as listed in List 2, item 1 to 4.

II. Invention is the creation of technical ideas utilising the law of nature (Article 2, para.1 of the Patent Law) and is completed through various steps starting from the setting a technical task (goal), proceeding to the adoption of a technical means for the solution of this task and the achievement of the goal through the application of the technical means. The completion of an invention requires that the technical means is structured in a specific and objective manner so that a person with normal knowledge in the given area of technology can repeatedly work it and achieve the intended effect, and [it] is sufficient if this requirement is met (Supreme Court 1984 (Gyo0Tsu) No.107, Judgment of the Supreme Court, the First Petit Bench, October 13, 1977; Minshu 31-6-805). Therefore, for an invention of a product, it is not necessarily required that the product has actually been produced or the final design plan for the product has been prepared, but [it] is completed as an invention if the specific structure of the product is expressed in the plan etc. and is in such a state so that a person with normal knowledge in the given area of technology can prepare the final plan and produce it.

Furthermore, 'preparation for business' as the working of an invention as provided in Article 79 of the Patent Law should be construed as a state of affairs such that a person who made the same invention as the invention for which a patent application has been made without knowing its content, or having acquired the knowledge from this person has an intention to immediately work the invention, although he has not reached the stage of implementation of the business, and such an intention has been expressed in the manner and extent objectively recognisable.

III. In the following, the present case shall be examined.

1. In the above description of the scope of the patent claim and the functions and effects of the Invention, the Patented Invention can be summarised as an invention (1) which has a task (goal) of providing a conveyor with a mobile beam carrying machines through the fire proof chamber of the furnace, capable of evenly heating several large pieces of steel at once without damaging the surface and exposing the entire surface in the furnace; even if the piece of steel is distorted, it can carry it; and it has a simple but strong structure with the capability of moving vertically and horizontally simultaneously or non-simultaneously, (2) which, for the solution of this task, adopted a walking beam mechanism has several supporting pads for the machines in the fixed and mobile beams (two pairs of conveyer rails), and also containing at least four revolving eccentric wheels to make the mobile beam (more precisely, the carriage to move the mobile beam and the parallel beam which is stretched at its bottom) vertically up and down, and also containing a mechanism for horizontal movement in order to move the carriage independently of the vertical movement, and each of the wheels having an external ring which can freely turn

in order to support the bottom of the parallel beam, and using this structure, has the effect and function of achieving the above initial goal.

On the other hand, considering the fact that in the estimates and specifications which the jokoku appellee company submitted to R on August 31, 1966, it is indicated that (1) a walking beam system is adopted, (2) the vertical movement of the mobile beams is to be electric-powered, vertical movement is caused by the rotation of the eccentric plate, the piece of steel is to be on the fixed beam or the mobile beam for half a cycle and re-heated and the temperature is made even, (3) therefore, even while the piece of steel does not move with a horizontal stroke, the vertical movement by the mobile movement continues, (4) the horizontal movement of the mobile is caused by an oil-pressured cylinder, (5) a rail to hold pieces of steel is fixed on each beam, (6) the base of the power mechanism for the vertical movement is supported on 8 points and via two motors and a speed-reducing mechanism and gear mechanism, cams (eccentric plates) move and cause vertical movement, (7) in the external circle of the eccentric cams, a circular roller is set which is a sliding mechanism. The ruling of the original instance court which found that a person with normal knowledge in the given area of technology would be able to understand the technological task which the jokoku appellee company was trying to solve at that time and the essence of the basic structure of the specific product for the solution of this task is justifiable. In fact, as the original instance court has lawfully established, it is possible to produce Product A which the jokoku appellee company was intending to produce and market at that time from the estimate and specification as well as the calculations and plans which served as a basis of them. Therefore, in the estimate and specifications, the technical means adopted for the solution of the technical task in Product A are expressed in a specific and objective manner sufficient enough for a person with normal knowledge in the given area of technology to work and achieve the goal repeatedly. Thus, it should be acknowledged that the jokoku appellee company had already completed the invention by the time it has submitted the estimate and specifications to R.

The original instance court also lawfully found that a significant number of plans etc. is further needed in order to actually produce Product A and that this requires significant time, but in light of the explanation above, it does not affect the above conclusion.

2. According to the above facts, the company had a solicitation for the heating furnace by R Corporation's S Work, and initially, made an estimate and designed the conventional pusher type heating furnace, and then, prepared an estimate and the design work for an electric-powered walking beam type heating furnace, completed the invention and submitted the estimate and specifications as well as the plan around August 31, 1966, which is earlier than the Date for the Claim of Priority concerning the Patented Invention. Since the order from R did not materialise, the final plan for production was not prepared, but if the order had come from R, the jokoku

appellee had intended to ascertain the final specifics of the equipment after detailed negotiation with the S Work, to prepare the final plan (design plan for the product) and in accordance with this plan, to build the furnace, and even afterwards, every year, they took part in the bidding for a walking beam type furnace.

The original instance court has also lawfully established that the walking beam type furnace requires substantial time from the inquiry to the acceptance of an order and 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 jokoku appellee did have an intention to immediately work the invention concerning Product A, and also this intention had been expressed in a manner and to an extent objectively recognisable by the submission of the above estimate and specifications to R. Therefore, it is appropriate to find that the jokoku appellee company was actually in preparation of business for the working of the invention concerning Product A on the Date of the Claim of Priority for the Patented Invention.

3. The ruling of the original instance court which is in line with the above is justifiable. There is no unlawfulness in the judgment of the original instance court. The arguments claim that the judgment of the original instance court was unlawful on a view different from above or based upon facts which are not compatible with the facts established by the original instance court and are not acceptable.

On the beginning and (1) to (3) of Item 4:

A prior user as provided by Article 79 of the Patent Law is entitled to a non-exclusive right to work the patent 'within the scope of the invention and the purpose of the business being worked or prepared'. The 'scope of the invention being worked or prepared' in this context is not limited to the form of work which the prior user was actually working or preparing at the time of patent application (the Date of the Claim of Priority), but means the scope of the technical idea, i.e. the scope of the invention, and therefore, the non-exclusive right to work the invention extends not only to the form of working the invention which the prior user had actually been working with or was preparing, but also to the modified form insofar as it is identical to the invention as represented in the form of working. This is because, in light of the fact that the purpose of the right of prior user is to strike a balance in fairness to both the patent holder and the prior user, it is harsh and unreasonable not to allow the prior user to alter the form of working the invention from the form in which the prior user had actually been working or preparing to work on the date of the claim for priority and because it is in line with the meaning of the provision to allow the right of prior use within the scope of the invention which the prior user had under his control.

It is only natural that if the invention as expressed in the form of working the invention corresponds only to part of the patented invention, the right of prior use extends only to this part of the patented invention, but if the above scope of invention corresponds to the entire scope of the patented invention, the effect of the right of prior use extends to the entire scope of the patented invention.

In the present case, Product A has the specific structure as included in List 2, items 1 to 4, attached to the judgment of the first instance court, in the above four points, under the level of technology at the time of the patent application (the date of the claim for priority) and other factual circumstances lawfully established by the original instance court, the invention as expressed in Product A is not an invention which has found any specific technological significance in the above detailed specific structure, but contains a more abstract technical idea which is the same as the Patented Invention, and as such, its scope is the same as the scope of the patented invention, and the ruling of the original instance court which found that the effect of the non-exclusive right to work the invention based upon the fact that the jokoku appellee company had been preparing for the business of working the invention in relation to Product A extends to the Patented Invention as a whole, and thus extends to Product Y[,] is justifiable.

The arguments criticise the judgment of the original instance court from a different viewpoint and are not acceptable.

On Item 4 (4):

The argument is, in summary, that in relation to the fact that the jokoku appellee company, concerning Product Y which was supplied to U V Work in May 1971, which is before the Date of the Claim for Priority, altered the four points of specific structure in Product A, but specifications for the patent application in the United States which serve as the basis of the claim for priority in the Patent Application were received by the Patent Library of the Patent Office on January 14, 1970 and also the jokoku appellee company had seen the product of the jokoku appellant P2 at the work of W (now U X Work) between March and May 1970, and thus, the jokoku appellee company altered the specific structure after seeing the above specifications or the product of P2. It is argued that the prior user, in altering the form of working the invention which the prior user had been working or preparing to work at the time of patent application (the date of claim for priority), is not allowed to claim the right of prior use in relation to products in relation to which, after having access to the patent bulletin (specifications) or the product which is the result of working the invention, switched to this form. However, the facts presupposed by this argument have not been established by the original instance court. The original instance court has lawfully established that when issuing an

order for Product Y to the jokoku appellee company, an employee of R (now U) V Work, KS inspected the product of the jokoku appellant P2 at the plant of W Corporation and took it into consideration, but it cannot be assumed from the above facts that only the jokoku appellee company had seen the product of the jokoku appellant, P2 and then changed the form of working from Product A to Product Y.

The arguments are already inappropriate in presupposing the facts which had not been established by the original instance court, and are not acceptable even without a ruling on the adequacy of the arguments.

Thus, in accordance with articles 401, 95, 89 and 93 of the Code of Civil Procedure, justices unanimously rule as the main text of the judgment.

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Presiding judge

Justice MAKI Keiji

Justice FUJISHIMA Akira

Justice KAGAWA Yasukazu

Justice HAYASHI Tohnosuke

(*Translated by Sir Ernest Satow Chair of Japanese Law, University of London)