

# **Jurisdiction over Foreign Patent Infringement under the Hague Draft Convention as of June 2001**

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## **I. Introduction**

Globalization and Interdependence are inevitably causing many civil or commercial disputes between parties in different territories. Nonetheless, there is no worldwide mechanism to adequately allocate judicial jurisdiction among countries and to have judgments smoothly recognized or enforced in other countries.<sup>1</sup> The project of the Hague Conference on Private International Law<sup>2</sup> to make a convention on jurisdiction and recognition/enforcement of foreign

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<sup>1</sup> With regard to arbitration, so-called New York Convention, Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, has succeeded in being a legal infrastructure shared by 126 countries. See, <http://www.uncitral.org/en-index.htm>.

<sup>2</sup> This intergovernmental organization was established in 1955 in order to work for the progressive unification of the rules of private international law (Article 1 of the Statute of the Hague Conference on Private International Law). The origin of this conference, however, is found in the first private international law conference held in the Hague in 1893. This organization has since adopted forty conventions, including Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (1965), Convention on the Civil Aspects of International Child Abduction (1980), etc. Japan has ratified six of them. The number of the member states are fifty-six at the time of October 31, 2001. See, <http://www.hcch.net/>.

judgments in civil and commercial matters is a challenge to change this situation. Although consensus has been found in general in respect of the rules on recognition and enforcement of foreign judgments, the project has not yet been accomplished since it is not easy to make a set of rules on jurisdiction being able to be accepted by the countries whose concepts of jurisdiction differ significantly. The most difficult problem is how to deal with “activity based jurisdiction” which has been constitutionally established in the United States, whereas in the jurisdictional schemes based upon civil law tradition such a rule has not been known.<sup>3</sup> Intellectual property is one of other difficult problems to be solved in the process of negotiation.

This paper intends to clarify what is the problem regarding intellectual property in the negotiation in the Hague, and to consider how to deal with such problems in the Hague or in such other fora as the WIPO.

First, the history of the Hague project and the basic structure of the Hague draft convention will be introduced in Part II. In Part III, the discussion having been made in the meetings of the Hague Conference with regard to the jurisdiction over the intellectual property cases will be observed. Special emphasis will be given to the jurisdiction over foreign patent infringement litigations. Finally, in Part IV, what is the most appropriate solution to the jurisdictional rules on foreign patent infringement litigations will be explored. As the background a Japanese case in which the jurisdiction over foreign patent infringement litigation was admitted will be introduced. In addition, in order to consider how to deal with foreign patents in Japanese courts, it would be necessary to introduce the relationship between the Patent Office and the courts under Japanese Patent Law and the domestic situation with regard to the validity issue in the Japanese patent infringement litigation. In the light of such situations, the act of state doctrine and the doctrine of abuse of the rights would play a certain role in the solution of the problem here.

## **II. Hague Draft Convention in General**

### **1 History**

The United States proposed to make a convention on jurisdiction and recognition and enforcement of foreign judgments in civil and commercial matters in May 1992 at the meeting of the Hague Conference on Private International Law.<sup>4</sup> In response to this proposal, the Hague Conference organized a special commission to study this subject and make a preliminary draft

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<sup>3</sup> See, II.3 (1) and (2).

<sup>4</sup> The concerns of the United States were, in addition to secure to have her judgments smoothly recognized and enforced in foreign countries, to limit the application of exorbitant rules on jurisdiction of other countries. Especially, it was of great interest for the United States to protect American parties from the enforcement of judgments, which was based on such exorbitant bases of jurisdiction as the location of the defendant' assets found in German law or the nationality of the plaintiffs found in French law. For at present, such judgment are recognized and enforced as they are in other European countries in accordance with the Brussels and Lugano Conventions, under which the jurisdictional bases of judgments of other contracting states are not to be verified at all.

articles to be submitted to the Diplomatic Conference.<sup>5</sup> In October 30, 1999 the Special Commission adopted the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (hereinafter cited as the 1999 draft convention).<sup>6</sup>

As this Preliminary Draft Convention was adopted by majority voting and many proposals from the United States were defeated by civil countries' majority voting, she strongly opposed to submit such a "European" draft to the Diplomatic Conference as a starting point and proposed to have the Diplomatic Conference postponed. European countries could not accept such proposal easily, because they found that 1999 draft convention seemed to be a good document to be discussed at the Diplomatic Conference. On the other hand, some countries, including Japan, which do not have such multilateral framework in this field as Brussels and Lugano Conventions<sup>7</sup> among European countries, thought that the ratification in the final stage by the United States would be important for this convention to play its role effectively in the international field as a legal infrastructure for civil and commercial litigations. Accordingly, they supported the idea not to adhere to the original schedule of final adoption of the convention.<sup>8</sup> In May 2000, it was decided as a compromise that the Diplomatic Conference is to be divided into two: the first one is to be held in June 2001 where all decisions should be made on consensus or near consensus basis; and the second one is to be held in the end of 2001 or at the beginning of 2002 where normal decision making method, that is majority voting, is to be adopted. Several informal meetings were held to review the 1999 draft convention not only from the viewpoint of e-commerce and intellectual properties<sup>9</sup>, which was done in accordance with the decision made by the Special Commission at

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<sup>5</sup> In 1994 and 1996 a feasibility study was done by the Special Commission. And, in October 1996 the 18<sup>th</sup> Session (the Diplomatic Conference) of the Hague Conference decided to make this theme as the subject of the 19<sup>th</sup> Session to be held in 2000 and newly established the Special Commission to make a preliminary draft convention on jurisdiction and foreign judgments in civil and commercial matters (Final Act of the Eighteenth Session, October 19, 1996, 35 I.L.M.1391, 1405 (1996). The Special Commission met five times: in June 1997; in March 1998; in November 1998; in June 1999; and in October 1999.

<sup>6</sup> See, <http://www.hcch.net/e/conventions/draft36e.html> (on October 21, 2001). Japanese translation is found in "Jurist", No. 1172, pp.90-96 (2000) and "NBL", No.699, pp.26-43(2000) with English version. For the explanatory report of the 1999 draft convention, see, Preliminary Document No 11 - Report of the Special Commission, drawn up by Peter Nygh and Fausto Pocar (2000) (<ftp://www.hcch.net/doc/jdgmpl11.doc>) (on October 21, 2001).

<sup>7</sup> Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters 1968, which was entered into force by original six member states of the EEC, has been amended by subsequent Accession Conventions. It is now applied among fifteen member states of the EEC. For the present version, see [1997] OJ C15/1. Lugano Convention on the same matters is another convention concluded in order to apply almost the same rules as those of the Brussels Convention in larger area of Europe. The contracting states of the Lugano Convention is now 19 states including, among others, Switzerland in addition to 15 EEC member states. Incidentally, Brussels Regulation, the contents of which are a revised version of Brussels Convention, is scheduled to be implemented in principle among EU member states on March 1, 2002.

<sup>8</sup> In early 2000 Japan, Korea, Australia and the United States jointly wrote a letter to the Bureau of the Hague Conference to that effect, and China separately wrote a letter to the same effect.

<sup>9</sup> With regard to the intellectual property matters, WIPO Forum on Private International Law and Intellectual Property was held on January 30 and 31, 2001, and an informal meeting with intellectual property experts on the next day in Geneva were held. In respect of the WIPO Forum,

the time of the adoption of the 1999 draft convention, but also from the view point of finding a narrow way to make articles adoptable by every countries.

In June 2001, the first part of the Diplomatic Conference, the 19<sup>th</sup> Session, was held. As anticipated, many proposals were made from the delegations in order to add their ideas in the text of the draft convention, since, according to the consensus method, any proposal would not be dismissed insofar as one country insisted to maintain it in the text. As the result, in comparison with the 1999 draft articles which consisted of 12,000 words, the 2001 draft articles consists of 24,000 words, and total number of words including notes explaining the meaning of alternatives and parentheses is 48,000.<sup>10</sup>

At the end of the first part of the Session, it was decided again *by consensus* to postpone the second part of the Session to adopt the convention, since all delegates admitted the necessity of consideration how to proceed with this project. It was also decided that the Commission I which dealt with general affairs<sup>11</sup> would be held within several months in order to decide the future of the project.

Participating governments are now considering not on what will be the most favorable rules for them but on what will be the most favorable way to proceed with the project. And, in order to make their policy decision on the schedule of the second part of the Diplomatic Conference and decision making method to be adopted there, they will have to make clear what should be their final objective in this project.

## 2. The Basic Structure: A “Mixed” Convention

The draft convention is a type of “mixed” convention.<sup>12</sup> It is different from a “single” convention in that, whereas a single convention just provides for the rules on recognition and enforcement of foreign judgments and controls jurisdiction of courts indirectly by checking it as one of requirements for recognition and enforcement, a mixed convention deals with not only recognition and enforcement of foreign judgments but jurisdiction directly. But a mixed convention does not provide for a full set of rules on jurisdiction but provides for just a part of them. A convention which provides for a full set of rules on jurisdiction as well as rules on recognition and enforcement of foreign judgments is called a “double” convention. For example, Brussels and Lugano Conventions are double conventions, under which no other rules of jurisdiction than those

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see, <http://www.wipo.int/pil-forum/en/> (on October 20, 2001).

<sup>10</sup> See, Summary of the Outcome of the Discussion in Commission II of the First part of the Diplomatic Conference (<http://www.hcch.net/e/workprog/jdgm.html>) (on October 20, 2001).

<sup>11</sup> It is the Commission II that is to make substantive rules of the convention.

<sup>12</sup> With regard to the idea of a mixed convention, see, von Mehren, Recognition of United States Judgments Abroad and Foreign Judgments in the United States: Would an International Convention Be Useful?, *RabelsZ* 57(1993), p.449; von Mehren, Recognition and Enforcement of Foreign Judgments: A New Approach for the Hague Conference?, *57 L.Comtemp.Probl.*271 (1994); von Mehren, The Case for a Convention-mixte Approach to Jurisdiction to Adjudicate and Recognition and Enforcement of Foreign Judgments, *RabelsZ* 61(1997), p. 86; von Mehren, Enforcing Judgments Abroad: Reflections on the Design of Recognition Conventions, *24 Brook.J.Int'l L.*17 (1998).

provided for in the conventions cannot be applied to the cases where the defendant is domiciled in any one of the contracting states and judgments rendered by the courts of any one of the contracting states may be recognized and enforced without verifying the jurisdictional requirement. A mixed convention is different from a double convention in that a mixed convention allows contracting parties to apply their national rules of jurisdiction insofar as their application is not prohibited by the convention. Accordingly, in a mixed convention the jurisdictional rules are divided into three categories: jurisdictional rules in the white list, those in the grey area and those in the black list or black area. The Jurisdictional rules in the white list shall be applied by contracting parties, and judgments based on such rules shall be recognized and enforced by other contracting states as far as other requirements are met. On the contrary, the rules in the black list or area<sup>13</sup> shall not be applied by them, and in case where a judgment be rendered based on such prohibited jurisdictional rules, other contracting parties shall never recognized nor enforce such a judgment. Between the two set of rules, there are some rules in the grey area. Every contracting party may apply such rules under their respective national laws, and the recognition and enforcement of judgments based on such rules are left to national laws of other contracting parties.

	Original Court ---	Receiving Court ---
Rules in the white list	shall apply them.	shall recognize/enforce judgments based on them.
Rules in the grey area	is free to apply them insofar as they are provided for under the national law.	is free to or not to recognize/enforce judgments based on them under the national law.
Rules in the black list or area	is prohibited to apply them.	Is prohibited to recognize/enforce judgments based on them.

The United States at the beginning proposed a mixed convention for a global convention, because she realized the difficulty to make a double convention among countries whose system of jurisdictional rules are so different from each other. Especially as the jurisdictional rules of the United States based upon the “due process” clause in the Constitution<sup>14</sup> are very unique in comparison with those in civil countries based upon the Roman law tradition, it was thought impossible to unify all jurisdictional rules in a convention.

The European countries, however, had been adhering to a double convention and argue every issue in reference to the Brussels and Lugano Conventions in the meetings of the Special Commission by June 1999, when an article permitting grey area was adopted.<sup>15</sup> It is now Article 17,

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<sup>13</sup> In case where Article 18(1), which is a general clause to prohibit the application of jurisdictional rules under the national law if there is no substantial connection between the forum state and [either] the dispute [or the defendant], be maintained, there is the black area. In such a case, Article 18(2), which lists some notorious bases of jurisdiction, becomes just a nonexclusive example one. Instead, if Article 18(1) be deleted, Article 18(2) becomes an exclusive black list.

<sup>14</sup> The XVIth Amendment reads in part “(N)or shall nay State deprive any person of life, liability, or property, without due process of law....”

<sup>15</sup> The adoption of the style of mixed convention was made 23 votes against no opposition.

which provides for, subject to certain provisions, “the Convention does not prevent the application by Contracting States of rules of jurisdiction under the national law, provided that this is not prohibited under Article 18”, which is on the prohibited jurisdictional rules.

Japan has originally supported the idea of a mixed convention as the only method to make a truly worldwide convention. Within this framework Japan has been trying to realize its objectives as far as possible.

### **3. Main Problems**

The main problems at present over which delegations found difficulties in finding solutions to be accepted by all are as follows:

- (1) Whether or not the rule on special “activity based jurisdiction” can be put in the white list has been discussed. The United States has asserted to have “frequent or significant” activity of the defendant as a basis of jurisdiction in contract and tort cases directly relating to such activities. Whereas such jurisdictional idea is admitted in the United States, as in civil countries the nexus between the claim and the court is the key concept in special jurisdictional rules for contract and tort cases, such idea based on the nexus between the defendant and the court is not easy to be accepted.
- (2) Whether or not the “general doing business jurisdiction” can be put in the black list has been discussed. Article 18(2) of the 2001 draft convention lists exorbitant jurisdictional rules under national laws such as the location of the defendant’s assets, the nationality of the plaintiff, and service of a writ upon the defendant in the territory of the State. Among others, Article 18(2)(e) reads, “the carrying on of commercial or other activities by the defendant in that State, [whether or not through a branch, agency or any other establishment of the defendant,] except where the dispute is directly related to those activities.” Such general doing business jurisdiction as is found in the United States is notorious in business societies outside the United States and is deemed exorbitant in every country except in the United States, where it is constitutionally legitimate one. According to the United States delegation, as there are many strong opinions among American lawyers against inclusion of (e) in Article 18(2), it would cause difficulty for the United States ratification to prohibit the application of this jurisdictional rule under the future convention. In contrast, it would be the essential provision for other states to become parties to the future convention. Without Article 18(2)(e), the incentive for other countries to negotiate this convention would be fundamentally diminished.
- (3) Whether or not a choice of court agreement can overcome the application of special jurisdictional rules, which allow such weaker parties as consumers and employees protection to file lawsuits against the business parties or the employers in the court of state where consumers or employees have their habitual residences, has been discussed. In accordance with the Brussels and Lugano Conventions choice of court agreements in such cases are invalid. Therefore, the parties to these

conventions are of opinion to the same effect. On the contrary, the United States cannot easily accept such solution, especially in consideration of e-commerce where, in some cases, the habitual residence of the customer cannot be identified.

- (4) The relationship between the application of the future convention and the other conventions, especially Brussels and Lugano Conventions, has been discussed without finding an appropriate solution yet. The parties to these conventions want to have their own regime untouched, while other states want to have the application of the future convention not be diminished by such local regimes.
- (5) The jurisdictional rules on intellectual property litigation have also been discussed.

The last problem (5) is the issue to be considered in this paper. In the next Part, the discussion having been made on this subject in the Hague will be introduced.

### **III. Issues on Intellectual Property in the Hague Draft Convention**

#### **1. General**

There are many kinds of intellectual properties. In the discussion in the Hague Conference, they have been divided into two categories: one is industrial properties, such as patent and trademark, and the other is copyright and related rights. With regard to the former, a rule of exclusive jurisdiction has been considered necessary with regard to, at least, grant, registration, validity, abandonment and revocation of such rights, whereas the latter, that is copyright and related rights, has been considered in general to be subject to normal rules of jurisdiction.<sup>16</sup> Such solution seems to be based on the difference of character of these two categories in that the former kind of intellectual properties are created by public authorities and registered in public agencies, while the latter is created without any public act and is not registered in normal situations. Of

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<sup>16</sup> It is, however, necessary to mention some different opinions expressed in the first part of the Diplomatic Conference in June 2001. First, it was jointly proposed by Australia and China that copyright and related right cases should be subject the exclusive jurisdiction of the state whose law is applicable to such rights. But, this proposal could not find any supporters. Second, with regard to the recognition and enforcement of foreign judgments on copyright or related rights, the following two provisions were proposed by the European Commission just as an tentative idea: Variant 1: "Recognition and enforcement may be refused if the court of origin in order to arrive at its judgments had, in deciding a question relating to copyright or neighbouring rights, conflicts with the rule of private international law of the State addressed unless the same result would have been reached by the application of rules of private international law of that State"; Variant 2: "Recognition and enforcement of a judgment in copyright and neighbouring rights matters may be refused if the judgment concerns an act of exploitation having taken place in the State addressed and if the judgment would be manifestly incompatible with principles of intellectual property protection of the State addressed." These ideas seem to be based on the facts that uniformity in deciding applicable laws is absent in this field and the levels of protection are significantly different among countries. Although these ideas has not been discussed seriously by the delegations, it would be difficult to make such an exception to the prohibition of *revision au fond* as provided for in Article 28(2) ("... , there shall be no review of the merits of the judgment rendered by the court of origin.") for the copyright and related rights alone.

course, there are some exceptions. For instance, unregistered trademark is known in some common law countries, and registration of copyright is sometimes required in some countries. Accordingly, once we have decided to adopt a set of two different rules to be applied respectively to two categories of intellectual property, we have to decide to characterize such exceptions as either one of the categories and such characterization would not be an easy task. Nevertheless, generally speaking, the above distinction in principle has been accepted by all delegations.

## **2. Foreign Patent Infringement Cases**

There is, however, one important unsolved question, that is how to deal with the infringement litigation of foreign patent cases. Regrettably, we have not yet found an answer acceptable by all delegations. Therefore, the present draft text on the intellectual property has three options as follows: First, it is proposed to exclude intellectual property matters from the scope of the convention.<sup>17</sup> Second, it is proposed to make the litigations on infringement of patent or any other industrial properties subject to exclusive jurisdiction of the state of grant or registration of such properties. Third, it is proposed to make such infringement cases subject to normal jurisdictional rules for civil or commercial matters as provided for in the convention or in the national law.

The first option is not a real solution of the problem, but it might be one of the possible solutions for the purpose of making this convention within a reasonable time. In addition, it is thought by some delegates that the problem of intellectual property might be better addressed by such other international organizations as the WIPO (World Intellectual Property Organization) where it would be considered in conjunction with the matter of applicable laws.<sup>18</sup>

The second option is provided for in Alternative A and the third option is provided for in Alternative B as follows:

### *Article 12 Exclusive jurisdiction*

1-3 [other matters than intellectual properties, such as rights *in rem* in immovable property or the validity of legal persons]

#### [Alternative A

4. In proceedings in which the relief sought is a judgment on the grant, registration, validity, abandonment, revocation or infringement of a patent or a mark, the courts of the Contracting State of grant or registration shall have exclusive jurisdiction.

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<sup>17</sup> Precisely speaking, there are some variations such as exclusion of copyright and related rights alone from the scope of the convention. They are, however, to be omitted in the context foreign patent infringement here.

<sup>18</sup> In fact, as stated in *supra* note 9, the WIPO held a symposium on private international law in relation to the intellectual property on January 30-31, 2001.

5. In proceedings in which the relief sought is a judgment on the validity, abandonment, or infringement of an unregistered mark [or design], the courts of the Contracting State in which rights in the mark [or design] arose shall have exclusive jurisdiction.]

[Alternative B

5A. In relation to proceedings which have as their object the infringement of patents, trademarks, designs or other similar rights, the courts of the Contracting State referred to in the preceding paragraph [or in the provisions of Articles [3 to 16]] have jurisdiction.]

In addition, there are following common provisions both Alternatives A and B.

Alternatives A and B

[6. Paragraphs 4 and 5 shall not apply where one of the above matters arises as an incidental question in proceedings before a court not having exclusive jurisdiction under those paragraphs. However, the ruling in that matter shall have no binding effect in subsequent proceedings, even if they are between the same parties. A matter arises as an incidental question if the court is not requested to give a judgment on that matter, even if a ruling on it is necessary in arriving at a decision.]<sup>19</sup>

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<sup>19</sup> According to the original note to this provision written by the bureau of the Hague Conference, the purpose of this paragraph is to maintain non-exclusive jurisdiction where a matter otherwise falling within the scope of paragraphs 4 and 5 (or 5A) arises as an incidental question in proceedings which do not have as their object one or more of the matters described in that paragraph. The intention is that any decision made between the parties on such an incidental question will not have a preclusory effect in another State, in other cases when produced by one of the parties.

7. [In this Article, other registered industrial property rights [(but not copyright or neighbouring rights, even when registration or deposit is possible)] shall be treated in the same way as patents and marks]

[8. For the purpose of this Article, ‘court’ shall include a Patent Office or similar agency.]

In the proceedings of the patent infringement litigation, it is so often happened that the defendant submit the argument of invalidity of the patent in question. Where a foreign patent is in issue, is it possible for the court to decide on this argument? If the court can decide the foreign patent invalid, doesn't it mean that the patent, which can be seen as the public act of a country, can be declared invalid by the court of other countries? On the other hand, if not, does it mean that the court should suspend the proceedings in order to wait the decision of the foreign country on the validity of the patent? If so, it would easy for the defendant to delay the infringement proceedings. In consideration of these things, should the patent infringement litigations be also included in the scope of the exclusive jurisdiction of the courts of the state of grant or registration?

In the Hague Conference, the United Kingdom has asserted to the Alternative A and Germany, France and Australia seem to have the same position. On the other hand, Switzerland has asserted Alternative B and Finland, Greece and Norway seem to support this position. The United States and the European Union<sup>20</sup> have not yet make their positions clear. Although Japanese government has not also expressed her position on this matter, in accordance with the opinions form business society in Japan, Alternative A above, exclusivity, seems to have acquired strong support since they fear to have Japanese patent infringement cases litigated in the United States courts under their procedural rules including jury trial system.

In the next part, a recent Japanese court case will be introduced and how to deal with the foreign patent infringement cases will be considered from the Japanese perspective.

### **III. Analysis from the Japanese Perspective<sup>21</sup>**

#### **1. A Japanese Case**

Recently a dispute arose in Japan involving the problem of the extraterritorial application of United States Patent Law, and the lawsuit on this dispute is still pending before the Supreme Court of Japan. The summary of the case is as follows:

The Japanese plaintiff, Akira Fujimoto, is an owner of the patent registered in the United States with regard to a certain kind of electronic device. The defendant is a Japanese company, Neuron Corporation, which is producing card readers in Japan in which the electronic devices are incorporated. The plaintiff filed a suit in Japan against the defendant for, among others, the

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<sup>20</sup> According to the Joint Statement of the Council and the Commission of the European Union on December 14, 2000 (14139/00, JUSTCIV 137), the negotiating directives should be laid down by the Council in principle. Accordingly, in the final stage, the member states will speak in one voice.

<sup>21</sup> See, Dogauchi, Respect for the Act of Foreign State: The Validity of Foreign Patents, at the ILPF (Internet Law and Policy Forum) Symposium on “Jurisdiction II: Global Networks/Local Rules: Doing Business over a Borderless Medium, at San Francisco on September 11-12, 2000.

prohibition of production in Japan and exportation of such products from Japan, the destruction of them in Japan, and damages to compensate for the loss caused by the exportation of them to the United States in the past in the amount of 180 million yen (= 1.6 million dollars).

The plaintiff alleged that the defendant's activities were deemed to be active inducement or contributory inducement of indirect infringement of the plaintiff's patent under Section 271 (b) or (c) of the United States Patent Law<sup>22</sup> and that such provisions were to be applied as if such activities were done in the United States, irrespective of where such activities were actually done.<sup>23</sup> The defendant responded that the patent law of each country should be applied within its territory, or, in other words, the territorial principle should be observed in the field of patent law.

The Tokyo District Court held on 22 April 1999<sup>24</sup> that, although the United States Patent Law were to be applied to the plaintiff's claims for the prohibition of production and exportation and for destruction, such extraterritorial application of the United States Patent Law was irreconcilable with the basic system of Japanese Patent Law since the territorial principle was widely recognized among states including Japan. Accordingly, the Court held that it was against the public order of Japan as provided for in Article 33 of the *Horei* (Japanese Code of Private International Law)<sup>25</sup> to apply the United States Patent Law to activities in Japan. On the other hand, with regard to the claim for damages, the court characterized such claim as a tort claim and applied Japanese law as the *lex loci delicti* as provided for in Article 11 of the *Horei*<sup>26</sup> since the defendant's activities were all done in Japan. It was held that the claim for damages should be dismissed on the

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<sup>22</sup> 35 U.S.C. sec. 271: "(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for noninfringing use, shall be liable as a contributory infringer.

(d) ---"

<sup>23</sup> See, e.g., *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137 (1975) (Although patent laws of the United States do not have extraterritorial effect, active inducement may be found in events outside the United States, if they result in direct infringement in the United States).

<sup>24</sup> 1006 *Hanrei Times* 257 (1999).

<sup>25</sup> Article 33 of the *Horei*, Law No. 10, June 21, 1898 as amended by Law No. 27 of 1989: "The application of a foreign law designated to govern in accordance with this Act shall be refused if such application is contrary to public order or good morals."

<sup>26</sup> Article 11 of the *Horei*: "(1) The creation and effect of claims arising from management of affairs without mandate, unjust enrichment, and unlawful acts are governed by the law of the place where the facts giving rise to the claim occur.

(2) As to unlawful acts, the preceding paragraph does not apply where facts occurring in a foreign country are not unlawful under Japanese law.

(3) Even if facts occurring in a foreign country are unlawful under Japanese law, the injured person shall not recover damages or have any other remedy not available under Japanese law."

ground that the defendant's activities were not to be blamed in accordance with Japanese law since the plaintiff had no right under Japanese law.

On appeal, the Tokyo High Court held on 27 January 2000<sup>27</sup>, with regard to the plaintiff's claims for the prohibition of production and exportation and for destruction, it was not the United States Patent Law but the Japanese Patent Law that should be applied to such claims arising from activities in Japan in accordance with the territorial principle. Such claims were dismissed on the ground that Japanese Patent Law had no provisions to prohibit activities that would result in violation of a foreign patent law. On the other hand, the Tokyo High Court, adopting the same position of the Tokyo District Court, dismissed the plaintiff's claim for damages under Japanese law designated as applicable law by Article 11 of the *Horei*.

Although there seems to be several points in the above judgments that need to be discussed further<sup>28</sup>, in the context of the theme of this paper, the fact that the Japanese courts

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<sup>27</sup> 1027 *Hanrei Times* 296 (2000).

<sup>28</sup> One of the points is that there is one important difference between the judgment of the Tokyo District Court and that of the Tokyo High Court in the determination of the claims for the prohibition of production and exportation and for destruction. The former court held that the applicable law should be the foreign patent law but in that case it would be against the public order of Japan to apply it to the activities in Japan. The latter held that the only Japanese patent law should be applied to the activities in Japan with regard to such claims. It seems illogical for the Tokyo District Court to reject the application of the United States law on the grounds of its extraterritorial scope of application, because the geographical scope of application is the matter of the conflict of law and such a foreign conflict of law rule providing for extraterritorial application is not applicable in Japan unless such a special rule as *renvoi* allows it (Article 32 of the *Horei*). Insofar as the Japanese patent law system adopts the territorial principle, it seems natural to apply Japanese Patent Law to activities in Japan as the Tokyo High Court did. This means that, if the defendant's activities were done in the United States, then the Japanese court should apply the United States Patent Law to such activities and order appropriate remedies under such law.

The other point is that both courts dealt with claim for damages as an ordinary tort claim. Both courts distinguished the claim for damages from the claims for the prohibition of production and exportation and for destruction. In the substantive law level, patent laws of many countries, including Japan and the United States, do not distinguish damages from other remedies such as the prohibition of production. Therefore, some commentators criticized the distinction made by the courts. Other commentators, on the contrary, supported such a distinction on the level of the conflict of law rules because of the public law nature of the patent law itself and such remedies as injunctions under the patent law (Akira Saito, Case Note, Heisei 11 *Nendo Juyo Hanrei Kaisetsu*, at 301 (2000)). As will be discussed in section IV, the patent can be considered to be the product of a sovereign act of state. From this position, such special remedies to protect public products as injunctions should be distinguished from such other remedies under private law nature as damages.

Additionally, it should be noted that both courts applied Japanese law as the applicable law to torts to the claim for damages in this case. With regard to cross-border torts in which the alleged wrong-doer and the victim are situated in different jurisdictions such as transnational product liability or libel by mass media, the *lex loci delicti* under very simple rules of Article 11 of *Horei* is ordinarily interpreted to be the law of the place where the victim suffered the damage, because torts occur when the damage happens and the central issue in torts is to enable the victim to recover his loss. Applying this interpretation to the above case, contrary to the above holdings of

admitted their jurisdiction to adjudicate claims based upon foreign patent law is important. Indeed that the defendant in this case did not raise the defense of invalidity of the foreign patent, but the court went into the consideration of the merits of the case without mentioning any words on the jurisdictional problem.

The above case was not the first case in Japan in which foreign patent infringement was disputed. In the Tokyo District Court, Judgment on June 12, 1953<sup>29</sup>, the infringement of Manchurian patent done in Manchuria was disputed in a Japanese court. Without mentioning on the jurisdictional issue, the court held that the claim should be dismissed on the merits.<sup>30</sup> In any event jurisdiction over foreign patent infringement litigation was also admitted in this case.

Accordingly, based upon the precedents in Japanese court cases, the jurisdiction over foreign patent infringement case is to be admitted. On this condition, in the next section, how should we deal with the merits of such case, in particular, how should we deal with the argument of invalidity of the foreign patent submitted by a defendant will be considered.

## **2. Relationship between the Patent Office and the Courts with regard to the Validity of Japanese Patents**

A trial by the Patent Office may be demanded for the invalidation of a patent on the grounds of reasons as provided for in Article 123(1) of the Japanese Patent Law, and Article 178(6) provides that an action with regard to the matters on which a trial may be demanded, including the invalidation of a patent, may be instituted only against a trial decision rendered by the Patent office. In accordance with Article 125, where a trial decision that a patent is to be invalidated has become final and conclusive, the patent right shall be deemed never to have existed. This means that until the time when such a trial decision becomes final and conclusive, the patent right shall be deemed validly existing.

Accordingly, it was held by Supreme Court Judgment on September 15, 1904<sup>31</sup>, Supreme Court Judgment on April 23, 1917<sup>32</sup> and so on that, where the validity of a patent was in question in the patent infringement litigation, even if it is apparent that the reason for invalidation existed, the registered patent should not lose its effect insofar as it was registered, and that the courts could not decide on the validity of the patent by themselves. Therefore, the defendant in such a case should demand the Patent Office for invalidation of the patent. This case law has been academically explained as an example of authorized effects of the public act in addition to the substantive benefit

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both courts, the law of the United States should have been applied.

<sup>29</sup> *Kakyu Minji Saibanreishu*, Vol.4, No.6, p.847.

<sup>30</sup> The court dismissed the claim in accordance with Article 11(2) of the *Horei*, under which not only the *lex loci delicti* but also Japanese law should admit the claim. In this case it was held that this double actionability test was not satisfied with, because the action in question done in Manchuria was not illegal in accordance with Japanese law. See, *supra* note 26. This holding has been, however, criticized by the many commentators, since this double actionability test requires that the type of the activity in question must be within the notion of the torts in Japan and the patent infringement is one of the categories of torts in Japan as well.

<sup>31</sup> Supreme Court Reporter, Criminal Cases, Vol.10, p.1679.

<sup>32</sup> Supreme Court Reporter, Civil Cases, Vol.23, p.654.

of secured management of the patents through such channeling.

In accordance with the above case law, however, unless the trial decision on invalidation has become final and conclusive, the courts cannot do anything but to order remedies against the alleged infringer on such precondition that the patent is valid. Indeed that the courts may suspend the proceedings until a trial decision has become final and conclusive, if the court deems it necessary. But in consideration of the time necessary to have such a trial decision, the patent infringement litigation in the court should have to be suspended for a long period of time. In such circumstances, the scholars have asserted a variety of ways to circumvent the above case law or other ways in the process of finding a good solution.<sup>33</sup>

Recently, the Supreme Court Judgment on April 11, 2000<sup>34</sup> held, without directly altering the precedents, as follows: “Even before the time for the trial decision by the Patent Office having become final and conclusive, the courts before which the patent infringement case is pending may verify whether or not the reasons for invalidation exist with regard to the patent in question. Where it has become apparent as the result of such verification that the reasons for invalidation exist, it cannot be allowed to claim for injunction, damages and so on based on such a patent, as such claiming is deemed abuse of the rights unless there is no extraordinary circumstances to the contrary.” This holding is based upon the natural justice that it is against the notion of equity to deal with the patent as valid one in such a case and give remedies to the right holder on the registration. The substantive ground to support this holding may be found in the consideration that it would be against the will of the plaintiff who do not want to have the effect of invalidation *in rem* but just want to have the effect *in personam* and also against the economical management of the proceedings to force the plaintiff to demand the Patent Office for invalidation in addition to the patent infringement proceedings in the court.

In the light of the aforementioned domestic situation on the way of dealing with the validity of the Japanese patent in the infringement litigations in the courts, how do we do with regard to foreign patent infringement cases?

### **3. Act of State Doctrine and Abuse of Rights**

In case where the jurisdiction over foreign patent infringement cases should be admitted, the act of state doctrine is considered to play a certain role in the course of deciding on the validity of foreign patents, since, as will be explained below, this theory has some similarity with the Japanese case law according to which the courts should not decide directly on the validity of the patents.<sup>35</sup>

The act of state doctrine under the law of the United States is defined as follows: “In the

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<sup>33</sup> See, Report on Invalidation and Infringement of Patents by the Institute of Intellectual Property (2000)( in Japanese only).

<sup>34</sup> Supreme Court Reporter, Civil Cases, Vol.54, No.4, p.1368.

<sup>35</sup> In order to avoid misunderstanding on Japanese law, it is noted that there are criticism against the application of act of state doctrine to the validity of foreign patent. See, for example, a comment by Professor Naoki Koizumi in Report on International Disputes on Intellectual Property by the Institute of Intellectual Property in 2001 (in Japanese only).

absence of a treaty or other unambiguous agreement regarding controlling legal principles, courts in the United States will generally refrain from examining the validity of a taking by a foreign state of property within its territory, or from sitting in judgment on other acts of a governmental character done by a foreign state within its own territory and applicable there.”<sup>36</sup> As indicated, this doctrine has been predominantly applied to expropriation of private properties by a foreign government.<sup>37</sup> However, this doctrine has also been applied to other types of cases where the validity or effect of a governmental act of foreign state in its territory was in question.<sup>38</sup>

Similar theories as this doctrine can be found in other countries. In Japan, the Tokyo High Court Judgment on September 11, 1953 applied a very similar doctrine to the question of the validity of the Iranian Government’s expropriation of crude oil situated in Iran<sup>39</sup>. The plaintiff in this case was an English company, the Anglo-Iranian Oil Company, and the defendant was a Japanese oil refining company, Idemitsu Kosan Co. Ltd. The defendant bought crude oil in Iran and brought it to Japan after the expropriation was done by Iranian Government. The plaintiff tried to attach the crude oil claiming that it belonged to the plaintiff. The court held that, with regard to such an expropriation within the territory of Iran, “there is no established principle under international law for a court of a third state to hold invalid the effect of the law legislated properly by a foreign state.” Although there has been no other case concerning the act of state doctrine in Japan, it is considered to be possible for this doctrine to encompass other kinds of public activities of a foreign state.

As patents are considered to be artificial invisible objects created by a public act of state, it seems to be possible for the act of state doctrine to apply to the question of the validity of a foreign patent. It would be hard for a registering state to recognize effects of a foreign judgment, which holds invalid the effect of the patent validly registered in the recognizing state, even if the effect of recognition is limited between parties to the foreign litigation. According to the act of state doctrine, courts must decide the case of the infringement of a foreign patent on the condition that they cannot make a decision to invalidate the patent validly registered in the foreign state. Insofar as the validity of the patent is immune from verification by foreign courts, the state where the patent is registered would find no difficulty to recognize such foreign judgments.

This solution would, however, be against the principle of equity between the parties when the patent in issue is apparently invalid. This is the same situation which the Supreme Court tried to avoid in its judgment on April 11, 2000 as introduced above. Therefore, we will have to admit such an exception to the application of the act of state doctrine with regard to the validity of foreign patents.

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<sup>36</sup> Section 443 (1) of the Restatement Third on the Foreign Relations Law of the United States (1986).

<sup>37</sup> See, the most famous case, *Banco National de Cuba v. Sabbatino*, 376 U.S. 398 (1964).

<sup>38</sup> See, the first case in the United States mentioning this doctrine, *Underhill v. Hernandez*, 168 U.S. 250 (1897), where claim for damages for assault and detention by a foreign military commander was in question.

<sup>39</sup> The Tokyo High Court Judgment on September 11, 1953, *Kosai Minshu*, Vol.6, No.11, p.702. The defendant won the case.

## **VI. Conclusion**

The conclusions of this paper are as follows:

- (1) In accordance with law derived from Japanese court cases, the jurisdiction over the foreign patent infringement litigations is to be admitted.
- (2) In deciding on the merits of the foreign patent infringement, courts should in principle refrain from examining the validity of the foreign patent at issue under the act of state doctrine.
- (3) However, where it is apparent for the courts to that the reasons for invalidation exist, the courts may dismiss the case on the ground that it would be an abuse of rights to claim for remedies based upon such a patent.

The above conclusions are drawn from a Japanese perspective. We have to admit that the unification of the procedural laws in relation to patent litigations among countries has not yet been done at all. Therefore, this problem here has to be analyzed from a variety of angles in consideration of differences of laws among countries. The easiest solution for the Hague project is of course the exclusion of this matter from the scope of the convention. But this is not a solution at all in realizing the harmonized legal order all over the world. The way ahead is far, but we have no other way but to try to find solutions in respect of every problem.