

# **International Patent Litigation and Jurisdiction**

## **Study of Hypothetical Question 1 Under the Hague Draft Convention and Japanese Laws**

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### **1 The 1999 Draft Hague Convention and the discussions at AIPPI**

In October 1999, WIPO was requested to send its opinion by the Hague Conference on Private International Law with respect to the 1999 draft on the convention on jurisdiction and recognition/enforcement of foreign judgement in civil and commercial matters. It seems that WIPO first considered the draft would not cause so much serious discussions among the governmental and non-governmental people engaged in the field of the intellectual property laws, perhaps because the 1999 draft is very similar to the Brussels and Lugano Conventions. Therefore, WIPO in turn requested in November 1999 an opinion of AIPPI within a very short period.

However, the 1999 draft became very controversial among the IP practitioners, especially who are outside European Union. In both 2000 and 2001 annual conferences, AIPPI could not to reach the consensus to support the draft convention and, in April 2000, it only proposed that the provisions of Article 12, Paragraphs 4, 5 and 6 of the 1999 draft convention relating to litigation on intellectual property rights shall be deleted for further discussion and for an independent protocol.

This is only one of the aspects to tell how the IP practitioners and industrial groups in the worlds have reacted for or against the proposed jurisdiction rule of the international IP litigation in view of their daily experiences, even if the reactions may look to be a little conservative to establish a new global mechanism for more effective international dispute resolutions.

### **2 The June 2001 Text on the Intellectual Property Litigation**

It is reported that the Diplomatic Conference in June 2001 could not offer a single proposal on the consensus basis on IP litigation as well as several other issues and that the present text has three alternatives.

The following are the provisions of the Article 12 Paragraphs 4 to 8 which I rewrote three alternatives just for the purpose of the discussions at this Symposium so

that each approach may be easily distinguished from others, although such rewriting may involve some incorrectness because I simplified them:

Article 12          Exclusive Jurisdiction

Intellectual Property

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.**

(In this approach, the state which granted the patent in issue has the exclusive jurisdiction on not only the validity/invalidity but also infringement of the patent.)

**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.**

(This provision proposes to treat the common law trademarks and passing off as the subjects of exclusive jurisdiction in the same way as registered trademarks.)

**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.**

(As the infringement is subject to exclusive jurisdiction in this Alternative A, the “incidental matters” will be, for example, the validity matters and scope of coverage of the patent in issue as the defence in the royalty claim action under a license agreement.)

**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.**

### Alternative B:

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

(In this approach, the state which granted the patent in issue has the exclusive jurisdiction on only the validity/invalidity but not on infringement of the patent.)

**5. 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.**

(This provision proposes to apply infringement actions with the general jurisdiction rules such as defendant's forum, consented jurisdiction, torts etc.)

**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.**

(As the infringement is not subject to exclusive jurisdiction in this Alternative B, the "incidental matters" will include the validity/invalidity matters in infringement cases, too.)

**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.**

### Alternative C

The third alternative is to exclude the intellectual property matters from the scope of the convention, either (i) as a whole, (ii) all copyright matters, or (iii) the matters related to internet.

## 7. Study of Hypothetical Case I

Assumption: (1) the country A is Japan, (2) both Company X and Company Y are the Japanese corporations, (3) A Patent is Japanese Patent and B Patent is a corresponding foreign patent granted in B country.

The question (1) is whether X can file the infringement suit against Y before a Japanese court with respect to A patent (Japanese patent) as well as B patent which was granted by B country.

The question (2) is whether Y can submit before Japanese court the defence that A and B Patents in issue are invalid.

### (1) Under Alternative A of the 2001 Text Hague Convention

(a) Under this Alternative, infringement of patent is subject to the exclusive jurisdiction of the state which granted the patent in issue, the Japanese court can examine only the Japanese patent but not the patent of B country, even if the defendant address exists in Japan or there is an agreement between X and Y so that the infringement of B patent be brought before Japanese court (Article 12. Paragraph 4). Therefore, the answer to the question (1) is negative. Namely, the infringement case on B patent cannot be filed before Japanese court even together with the case of Japanese A patent.

(b) Under this Alternative, the question (2) becomes meaningless as the validity defence can be made only before the court of the country which granted the patent in issue and such court has the exclusive jurisdiction on the infringement case, too.

With respect to Japan, the famous new ruling by the Supreme Court is that the infringement court can examine the invalidity matter as a “misuse of patent right” defence, when the ground for invalidity is clear for court (Texas Instruments v. Fujitsu on Kilby patent , Supreme Court, April 11, 2000). The finding by the infringement court on such defence will not be binding to third parties or parties in subsequent cases. The binding decision on the validity/invalidity can be made by the Trial Board of the Patent Office as the first instance, which decision may be appealed before Tokyo High Court and finally before the Supreme Court.

### (2) Under the Alternative B of the 2001 Draft Hague Convention

- (a) With respect to the question (1), a Japanese court, pursuant to Article 3 (Defendant's Forum; habitual residence), has the jurisdiction on the infringement cases based on both or either of A patent and B patent as, under Alternative B, infringement case is not subject to exclusive jurisdiction of the State where the patent was issued. The same is true when there is an consent on jurisdiction between the parties (Article 4) and when the defendant Y did not contest the jurisdiction (Article 5).
- (b) With respect to Article 10 (torts), a Japanese court may find the jurisdiction on the infringement of A patent (Japanese patent) either as the place of act (Article 10.1.a) or as the place of injury (Article 10.1.b). However, with respect to B patent, Japan is not a place of acts and therefore Japanese court has no jurisdiction based on Article 10.1.a. With respect to the place of injury (Article 10.1.b), there may be an argument that, as X has the principal place of business in Japan, A shall claim that the injury relating to B patent occurred in Japan. However, if the provision of Article 10. Paragraph 5 reading "if an action is brought in the court of a State only on the basis that the injury arose or may occur there, those courts shall have jurisdiction only in respect of the injury that occurred or may occur in that State, unless the injured person has his or her habitual residence in that State" is adopted, Japanese court can not find the jurisdiction on the damages from B patent for the reason that the damages may be considered to have occurred in B country but in this case the Japanese court may find the jurisdiction on the basis of the defendant's forum (habitual residence).
- (c) With respect to the invalidity defence, Y may defend only by showing a "misuse of patent which has a clear ground for invalidity" with respect to the Japanese patent (A patent) in accordance with said the Supreme Court judgment on Kilby case. With respect to B patent, a Japanese court can examine the invalidity defence as a "incidental matter" (Article 12, Paragraph 6). The governing law for such defence shall be the substantive laws (patent law) of B country. It is doubtful that Article 12, Paragraph 4 allows the Japanese court to examine such a defence when such a defence is not allowed under the laws of B country. Perhaps, in such a situation, it shall be interpreted that, although a jurisdiction can be found by the Japanese court, the defence will be dismissed as the result of the application of the laws of B country. Otherwise, it leads a strange conclusion that, even when an invalidity defence is not allowed in B country (such as Germany), a Japanese court may accept such an invalidity defence which is not acceptable in B country where the patent in issue was granted.

- (d) What is the fate of a Japanese action if Y filed, in B country, an action for a declaratory judgment to declare the invalidity of B patent after X filed before a Japanese court a infringement action in relation to both A patent and B patent? As B country has the exclusive jurisdiction when the object of the action is a relief based on invalidity of B patent (Article 12, Paragraph 4), the Japanese court may suspend the procedure on B patent pursuant to the proviso of Article 21, Paragraph 1. But, it seems that, under this Alternative B, Japanese court may continue the litigation saying that the invalidity defence is an incidental matter in the Japanese case.
  - (e) It seems that there is no consensus in the Hague Conference on whether X may file before a Japanese court a petition for provisional injunction under both of A and B patents and whether an injunction order by the Japanese court may be approved and enforced in B country. It seems that the 2001 text has several proposals, including the proposal to exclude the provisional injunction from the scope of the Convention (Article 1 Paragraph 2.k), the proposal to give the jurisdiction to the court of the regular action (Article 13, alternative A) etc.
- (3) Under the Japanese laws
- (a) Japan has no statute which specifically provides the rule on the jurisdiction of international litigation.

The Supreme Court in 1997 stated:

“In civil litigation where the action is brought before a Japanese court, if one of the local venues provided for in the Code of Civil Procedure is found in Japan, it is reasonable in principle to make the defendant subject to the jurisdiction of the Japanese court. However, if we find some exceptional circumstances, where a trial in a Japan court would result in contradicting the ideas of promoting fairness between the parties and equitable and prompt administration of justice, the international adjudicatory jurisdiction shall be denied” (Supreme Court, November 11, 1997: 74 Hanreijihou 1626 (1998))

This decision is sometimes criticized that the “exceptional circumstance” approach lacks the foreseeability, but this approach has been generally accepted in Japan as it may adequately and flexibly solve specific cases.

- (b) The Japanese Code of Civil Procedure provides for jurisdictions based on defendant's forum (habitual residence or address Article 4), place of torts (Article 5, Item9), jurisdiction on consent (Article 11), non-contested jurisdiction (Article 12) etc. and these rules are similar to those provided in the draft Hague Convention.
- (c) In Hypothetical Case I, the parties X and Y are Japanese corporations and Japanese court has the jurisdiction on the litigation between X and Y on the basis of the defendant's forum. Further, the infringement action based on Japanese patent (A patent) against Y is a pure domestic Japanese case, there is no doubt that Japanese court has the jurisdiction on such a case. As mentioned above, Y may submit a defence of "misuse of patent for a clear ground for invalidity" against Japanese patent (A patent) in accordance with the rule established by said Kilby case.
- (d) The real issue is whether Japanese court may examine the infringement of B patent (a patent granted by a foreign country). On this issue, both Tokyo District Court and Tokyo high Court in the so-called Card Reader case did not deny the jurisdiction on infringement of a United States patent although the courts expressly stated the jurisdiction matter, but proceeded to examine the merits and dismissed the claims of the plaintiff on merit (Tokyo District Court, April 22, 1999; Tokyo High Court, January 27, 2000). These two judgments on the same case are interpreted that the courts admitted the jurisdiction on an infringement action based on a foreign patent. (The same interpretation has been made on the Manchuria patent case of Tokyo District Court on June 24, 1953.) Furthermore, it should be noted that Supreme Court recently admitted the jurisdiction on the declaration judgment action relating to the copyright of Thailand as the related jurisdiction as one of other torts claims on which Japanese court could find jurisdiction (Tuburaya Production Copyright Case: Supreme Court, June 8, 2001). Therefore, it can be said that Japanese courts take the position not to deny the jurisdiction for the reason that the subject is a foreign patent or copyright.
- (e) Under said case laws in Japan, Japanese court will not find in Hypothetical Case I some exceptional circumstances to exclude the jurisdiction to examine the infringement of B patent with/without A patent against Y which is a Japanese corporation. Therefore, at least, as far as the damage claim is concerned, X can file an action against Y before Japanese court on the basis of the damage caused

in Japan by infringement of A patent and the damage caused in B country by infringement of B patent. Even if Y carried out in B country through its local laboratory the R&D activities and manufacture of the patented system and only the sales activity is made in Japan (A country), it will not constitute an exceptional circumstances to exclude the jurisdiction of Japan although the collection of evidence about the design and manufacture may be more convenient in B country.

- (f) Further consideration will be required with respect to the jurisdiction on the injunction action based on B patent and the enforcement thereof. As Japan is not a member of any multilateral or bilateral treaty similar to Brussels and Lugano Conventions, there is no guaranty that the court of B country will approve and enforce a Japanese court's injunction order which prohibits Y from continuing the manufacture, sale or use in B country of the system covered by B patent unless a specific reciprocity has been found through some arrangement or case laws. However, as Y is a Japanese corporation, Japanese court may at least issue an additional indirect enforcement order by imposing a monetary penalty unless B does not comply the injunction order in relation to the activities in B country.
- (g) In addition, the rule stated in the Supreme Court in the Tuburaya Production Copyright case may suggest that, as the case is concerned with the same invention protected in the corresponding patents and the subject system is the same one, the Japanese court can find the jurisdiction in accordance with Article 7 of the Code of Civil Procedure (joint jurisdiction) on the infringement in Japan of the Japanese patent and the infringement in B country of B patent.
- (h) With respect to examination by Japanese court of the invalidity of a foreign patent (B patent), it is not clear under the present case law in Japan. However, firstly, there will be no doubt that Japanese court will not declare in the gist of the judgment the invalidity of any foreign patent, because it goes beyond the present scheme of the existing European conventions and also the rule being discussed in the draft Hague convention. Secondly, I feel that the invalidity defence about B patent shall be allowed in Japan as far as the same defence is allowed in B country. In practice, as the invalidity defence are argued by defendants in many cases, it will become meaningless to admit jurisdiction on foreign patent infringement, if such a defence is prohibited and such case must be suspended until the foreign court or patent office decides the validity matter.



However, if the condition in B country for invalidity defence is less strict than Japan (where a “clear ground for invalidity” is required), it may reach a conclusion that, while the invalidity defence on Japanese patent is dismissed, the defence on B patent on the same invention is admitted. Although this is not a jurisdiction matter but a result of the application of governing laws, the impression of unfairness will be raised. In order to establish a global rule on the jurisdiction about international patent disputes, this kind of various legal issues must be studied and overcome.