==========

Date of the judgement

2002.09.26

==========

Case Number

2000(Ju)580

==========

Reporter

Minshu Vol. 56, No. 7, at 1551

==========

Title

Judgment concerning (1) the law governing the validity of a patent right; (2) the law governing an action for prohibition and destruction of the infringing goods brought by way of holding a patent right; (3) ordering prohibition of the act of actively inducing infringement of a U.S. patent and destruction of the infringing goods located in Japan by applying the U.S. Patent Act and the meaning of "public order" as described in Article 33 of the Law Concerning the Application of Laws in General; (4) the law governing a claim for damages on the ground of infringement of a patent; (5) the case ruling that with regard to a claim for damages filed on the grounds of an act carried out in this country to actively induce infringement of a U.S. patent, "the place where a fact constituting a cause occurred" as described in Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General is the United States of America; and (6) the event constituting the act of actively inducing infringement of a U.S. patent that was carried out in Japan and "when a fact occurring in a foreign county is not illegal under Japanese law" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General

==========

Case name

Claim for damages, etc.

==========

Result

Judgment of the First Petty Bench, dismissed

==========

Court of the Second Instance

Tokyo High Court, Judgment of January 27, 2000

==========

Summary of the judgement

---

1. The law governing the validity of a patent right shall be the law of the country where the patent in question was granted.

2. The law governing an action for prohibition and destruction of the infringing goods brought by way of holding a patent right shall be the law of the country where the patent in question was granted.

3. To order prohibition of the act of actively inducing infringement of a U.S. patent and destruction of the infringing goods located in Japan by applying the U.S. Patent Act is contrary to the meaning of "public order" as described in Article 33 of the Law Concerning the Application of Laws in General.

4. The law governing a claim for damages on the grounds of infringement of a patent shall be pursuant to Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General.

5. Concerning a claim for damages filed against another party who exported from Japan to the U.S. the goods infringing the U.S. patent to be sold in the U.S. market on the grounds of active inducement to infringement of the said U.S. patent, "the place where a fact constituting a cause occurred" as described in Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General is the United States of America.

6. The event constituting the act of actively inducing infringement of a U.S. patent that was carried out in Japan falls under "when a fact occurring in a foreign county is not illegal under Japanese law" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General.

(With regard to 5, there is an opinion, and with regard to 6, there is a supplementary opinion and a dissenting opinion.)

==========

References

(With regard to 1, 2)

Article 66, Paragraph 1 of the Patent Law

A patent right comes into existence upon registration of the issuance thereof.

Article 68 of the said law
The patentee has the exclusive right to work a patented invention commercially; provided that if the exclusive license is granted with regard to the patent right thereon, this stipulation does not always apply to the scope of the exclusive license for the exclusive licensee to hold in working the said patented invention commercially.

Law Concerning the Application of Laws in General

(With regard to 2, 3)
Article 100 of the Patent Law
The patentee or the exclusive licensee may bring an action against a party who infringes or is likely to infringe their own patent right or exclusive license for the prohibition or prevention of such infringement.
2. The patentee or the exclusive licensee may, in relation to an action brought under the preceding paragraph, seek destruction of the goods comprising the act of infringement (in the case of an invention of a process for manufacturing a product, the goods resulting from the infringement are to be included; the same applies in Article 102, Item 1), removal of facilities used for the act of infringement and other steps necessary for prevention of the infringement.

(With regard to 3)
Article 33 of the Law Concerning the Application of Laws in General
If a foreign law is referred to as the governing law, when the application of the provisions therein offends public order or public morals, it should not apply.

Section 283 of the U.S. Patent Act

(With regard to 3, 6)
Section 271, Paragraph (b) of the said act

(With regard to 4 to 6)
Chapter IV, Section 2 (Infringement) of the Patent Law

Article 709 of the Civil Code
Whoever infringes upon another's right willfully or due to negligence shall be liable for damages arising therefrom.

(With regard to 4, 5)
Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General
The establishment and validity of a claim arising from business administration, unjust enrichment, or tort shall be determined by the laws of the place where the fact constituting the cause occurred.

(With regard to 6)
Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General
The provision set forth in the preceding paragraph shall not apply to a tort when a fact occurring in a foreign county is not illegal under Japanese law.

Section 284 of the U.S. Patent Act

==========

Main text of the judgement

This Jokoku-appeal is hereby dismissed.
The litigation costs incurred in this Jokoku-appeal shall be borne by the Appellant.

==========

Reasons

I. Outline of the case
1. The facts established by law under the court of original instance are outlined as follows:
(1) The Appellant holds an U.S. patent on an invention titled "Device D"
(applied for on June, 22, 1983, issued and registered on September 10, 1985; Patent No. E; hereinafter referred to as the "said U.S. patent" for the "said invention").
The Appellant does not hold a Japanese patent on the same invention as the said invention.
(2) The Appellee, from around 1986 to around 1991, manufactured a card reader described in the List of Objects (1) attached to the first-instance judgment (hereinafter referred to as "the Appellee's Product-1") in Japan and exported to the U.S., and an American corporation wholly owned by the Appellee, F
Incorporated (hereinafter referred to as "the U.S. subsidiary"), imported and marketed the said product in the U.S. In addition, the Appellee, from around 1992, manufactured a card reader described in the List of Objects (2) attached to the first-instance judgment (hereinafter referred to as "the Appellee's Product-2"; referred

to as "the Appellee's Products" jointly with the Appellee's Product-1) in Japan and exported it to the U.S., while the U.S. subsidiary imported and marketed the said product in the U.S.
(3) The Appellee's Product-1 comes under the technical scope of the said invention.
2. In this case, the Appellant asserts that presupposing the Appellant's Product-2 comes under the technical scope of the said invention as well and the U.S. subsidiary's act infringes the said U.S. patent, the Appellee's act of exporting the Appellee's Products from Japan to the U.S., etc. falls under the act of actively inducing infringement of a U.S. patent stipulated in Article 271 (b) of the U.S. Patent Act (hereinafter referred to as "the U.S. Patent Act") and the Appellee is liable as an infringing party of the said U.S. patent and so forth, and enters an action against the Appellee to seek (1) an injunction to prohibit the manufacture of the Appellee's Products in Japan for the purpose of exporting to the U.S., exporting the Appellee's Products to the U.S. and inducing the Appellee's subsidiary in Japan and others to market or offer for marketing the Appellee's Products in the U.S., (2) an injunction to order destruction of the Appellee's Products in the possession of the Appellee in Japan, and (3) compensation for damages due to a tort (with regard to the portion of the case barred by extinctive prescription, restitution of unjust enrichment is supplemental sought).

II. Regarding point 1 and 2 in the Motion for Acceptance of the Jokoku-Appeal presented by Attorney OHNO Seiji and Attorney NASU Kento:
1. The court of original instance held that the said action for prohibition outlined in preceding I-2(1) and the said action for destruction of the infringing goods outlined in said (2) should be dismissed, as outlined below:
(1) For a patent right, even if the universally-accepted principle of territoriality applies to find that there is an act of infringing a foreign patent at home, unless otherwise provided for under a specific law or treaty, it should be sustained that a party may not bring an action for prohibition and destruction of the infringing goods brought by way of holding a foreign patent before a domestic court, and as for the right to bring an action for prohibition and destruction of the infringing goods by way of holding a foreign patent, there is no room that gives rise to the question of deciding on the governing law as required under the Law Concerning the Application of Laws in General.
In that case, because there exists no law or treaty stipulating that an action may be brought to seek an injunction ordering the prohibition and destruction of the infringing goods by way of holding a foreign patent in Japan, the said action for prohibition and the said action for destruction of the infringing goods are ruled to be groundless.

(2) Even granted that the said action for prohibition and the said action for destruction of the infringing goods involves a conflict of laws, because there is no stipulation concerning the law governing the validity of a patent right in the Law Concerning the Application of Laws in General or the like, nothing remains but to decide based on the perpetual causes of private international law such as justice and compliance with purpose, but in light of the fact that both parties in this case are Japanese and a Japanese corporation with a residential address or domicile in Japan, that the place where the act subject to the said action for prohibition took place and the location of the objects subject to the said action for destruction of the infringing goods as well as the forum are Japan in all cases, that it is not generally held that the validity of a patent registered with a particular country necessarily extends to the territory of another country and so forth, it is fair to conclude that the governing law is the Patent Law or treaty of Japan.

Then, the Patent Law of Japan does not lay down provisions that afford injunctions or the like against an alleged act of actively inducing infringement of a foreign patent occurring within the territory of Japan, and there is no treaty between Japan and the U.S. providing to the effect that either country holds a patent right registered with the other country to be valid as well within the other's territory. Hence, the said action for prohibition and the said action for destruction of the infringing goods are adjudicated to be groundless.

2. The determination the court of original instance arrived at to the effect that the said action for prohibition and the said action for destruction of the infringing goods brought by the Appellant against the Appellee are groundless in either case can be sustained in its conclusion for the following reasons:

(1) The said action for prohibition and the said action for destruction of the infringing goods are actions based on a private individual's property rights, both parties in this case are Japanese and a Japanese corporation with a residential address or domicile in Japan, and the actions are concerned with acts occurring in Japan. However, the actions involve a conflict of laws in that these are actions by way of holding a right bestowed under the U.S. Patent Act, so that it is necessary to decide on the governing law.

The principle of territoriality in relation to patent rights means that a patent right registered with each country is to be governed by the laws of the relevant country with regard to issuance, transfer, validity and the like thereof and such patent right can come into force only within the territory of the relevant country (see the Judgment of the Third Petty Bench upon Case 1995 (O) No. 1988 rendered on July 1, 1997, Minshu Vol. 51, No. 6, at 2299). In other words, each country has the discretion to stipulate under national law what procedures are to be followed for granting an invention with validity based on its industrial policy, and in the case of Japan, a Japanese patent is held valid only within the

territory of Japan. However, as this fact does not make it unnecessary to decide on the governing law as required under the Law Concerning the Application of Laws in General, the determination the court below arrived at as mentioned in preceding 1(1) is not found appropriate.

(2) An action for prohibition and an action for destruction of the infringing goods arising from a U.S. patent right should be different in substance and nature from an action arising from a tort with the intent of compensating the victim for damage caused in the past from the viewpoint of justice and fairness and must be grounded on the sole and exclusive validity of the U.S. patent right. Hence, with regard to an action for prohibition and an action for destruction of the infringing goods arising from a U.S. patent right, the applicable part of the applicable law in the conflict of laws should be defined to be the validity of such patent right.

[Summary 1] Regarding the law governing the validity of a patent right, because there is no direct stipulation under the Law Concerning the Application of Laws in General and the like, in reference to the perpetual cause, it is appropriate to construe that it should be in accordance with the laws of the country having the closest bearing on the relevant patent right, namely, the county where the patent right was registered. For (a) a patent right should be recognized as a right established through the procedures from application to registration in every single country; (b) many countries have employed the principle of territoriality for patent rights, according to which a patent right registered with each country is to be governed by the laws of the relevant country with regard to establishment, transfer, validity and the like thereof and such patent right shall come into force only within the territory of the relevant country; (c) so long as a patent right comes into force only within the territory of the relevant country, in light of the notion that the country which is required to protect the relevant patent right should be the country where the relevant patent right was registered, it is appropriate to construe that the country having the closest bearing on the relevant patent right should be the county where the patent right was registered.

[Summary 2] Therefore, we rule that the law governing an action for prohibition and an action for destruction of the infringing goods be the law of the country where the relevant patent right was registered, and accordingly for the said action for prohibition and the said action for destruction of the infringing goods, it is adjudicated that the law of the U.S. where the said U.S. patent right was registered be the governing law. The determination of the court of the original instance that the governing law for these actions be the patent law or treaty of Japan as shown in the preceding (2) is adjudicated to be inappropriate.

(3) Section 271(b) of the U.S. Patent Act is construed to provide that a party actively

inducing infringement of a U.S. patent is held liable as an infringing party and includes the case of actively inducing infringement outside the territory of the U.S. so long as the act of direct infringement occurs within the territory of the said country. Section 283 of the said Act is construed to provide to the effect that in case of a patent right infringed, the Court may issue an injunction to prohibit such infringement and also order the destruction of the infringing goods. Consequently, in accordance with Section 271(b) and Section 283 of the said Act, regarding the act of actively inducing infringement of a U.S. patent right, even if such act occurs in Japan or the infringing goods are located within Japan, there is room to bring an action for prohibition of the act of infringement and an action for destruction of the infringing goods.

However, Japan has employed the above-mentioned principle of territoriality, in which a patent right with an individual country only comes into effect within the territory of the relevant country, but after all affirming an injunction to prohibit the act carried out in Japan, etc. by way of holding the said U.S. patent right would give rise to the substantially same consequence as allowing the validity of the said U.S. patent right to extend beyond its territory to our country, which is against the principle of territoriality employed in Japan, and moreover, there is no treaty between Japan and the U.S. providing to the effect that either country holds a patent right registered with the other country to be valid within their own territory reciprocally, hence it must be irreconcilable with the foundation of the directives of the Japanese Patent Law to issue an injunction to prohibit an act carried out within Japan or destroy goods located within Japan as a result of applying the U.S. Patent Act to the finding that the act of actively inducing infringement of a U.S. patent was carried out within Japan.

[Summary 3] For these reasons, it is appropriate to construe that to order the Appellee to prohibit the act or destroy goods by applying each of the above-mentioned provisions of the U.S. Patent Act is contrary to the meaning of "public order" as described in Article 33 of the Law Concerning the Application of Laws in General, and it is adjudicated that each of the above-mentioned provisions of the U.S. Patent Act shall not apply.

(4) Therefore, the said action for prohibition and the said action for destruction of the infringing goods brought by the Appellant pursuant to the U.S. Patent Act are ruled not justified for reasons, lacking grounds substantiated by law. The original judgment holding the same purport in its conclusion can be upheld. On the other hand, the argument in this respect is reduced to a criticism about the explanatory portion of the original judgment that does not affect the conclusion, and it cannot be accepted.

III. Regarding point 3 in the said motion

1. The court of original instance held that the said claim for damages outlined in the preceding I-2(3) should be dismissed, as outlined below:
(1) The said claim for damages is based on the case that the Appellee's act infringed the said U.S. patent and caused damage, and includes a conflict of laws. A claim for damages with the cause as an infringed foreign patent has relevance to the validity of the foreign patent right, but since a claim for damages is not an issue specific to patent rights and it must have the purpose of protecting interests protectible by the laws of the relevant society, the applicable part of the applicable law in the conflict of laws should be defined as a tort and the governing law should be pursuant to Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General.
(2) The law governing the act of infringing a patent should be determined as a matter of tort subject to the principle of liability due to negligence including the act of instigating, aiding and abetting, etc. with the focus on the act of a tortfeasor. In this case, as the Appellee's act of tort alleged by the Appellant took place within Japan in all cases, the country where the Appellee carried out the said act should be regarded as "the place where a fact constituting a cause occurred" as described in Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General, and accordingly, the laws of Japan should be the governing laws.
(3) Article 709 of the Civil Code sets forth the act of infringement on another party's right as a requisite for the right to claim compensation for damages arising from a tort, but as there exists no law or treaty endorsing the validity of foreign patent rights in Japan, a U.S. patent right does not fall under the rights protectible under tort law in Japan. Hence, even if an act constituting infringement upon a U.S. patent was carried out in Japan, such act is not taken as a tort under the laws of Japan, so that the Appellant's claim for damages in this case cannot be accepted.
2. The determination the court of original instance arrived at to the effect that the said claim for damages brought by the Appellant against the Appellee is not justified for reasons can be sustained in its conclusion for the following reasons:
(1) The said claim for damages is an action where both parties in this case are Japanese and a Japanese corporation with a residential address or domicile in Japan, concerned with an act carried out in Japan, but in the respect that the infringed interest is a U.S. patent, it requires the applicable part of the applicable law in the conflict of laws to be determined. The said claim for damages is based on the alleged infringement of the property right held by an private individual, so that it should be called into question whether or not a private individual has the right to claim compensation for damages, necessitating the governing law to be specified.

[Summary 4] Then, with regard to a claim for damages on the grounds of an infringed patent, since it is not an issue specific to patent rights, but simply part of a civil remedy for infringement upon property right, the applicable part of the applicable law in the conflict of laws is a tort and the governing law should be specified pursuant to Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General. The determination of the court of original instance mentioned in 1(1) is proper.

(2) [Summary 5] With regard to the said claim for damages, "the place where a fact constituting a cause occurred" as described in Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General should be construed to be the United States of America where the act of directly infringing the said U.S. patent was carried out, resulting in the infringed right, and the governing laws should be the laws of that same country. Indeed, (a) in the event that the Appellant's act in Japan is found to be an act of actively inducing infringement of the said U.S. patent in the U.S., it can be said that the result of the infringed right occurred in the U.S., and (b) even assuming the governing law to be U.S. law, so long as the Appellee intends to import and market in the U.S. through its U.S. subsidiary, predictability on the part of the Appellee would not be undermined. The determination of the court original instance mentioned in 1 (2) that the governing law should be pursuant to Japanese law is not found appropriate.

(3) Section 284 of the U.S. Patent Act affords a claim for damages as a civil remedy for infringed patent rights. The party who actively induced in Japan the act of infringing the said U.S. patent in the U.S. may be held liable for damages pursuant to Section 271(b), Section 284 of the U.S. Patent Act.

In such case, however, in accordance with Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, the laws of Japan are applied in an accumulative manner. In this case, in light of the Patent Law and the Civil Code of Japan, it is to be examined whether or not the act of actively inducing infringement of a patent outside of the territory where the said patent was registered meets the prerequisite for constituting a tort.

Under the laws of Japan which has employed the principle of territoriality while not having such provision that allows the validity of a patent right to extend to the act of actively inducing infringement outside of its own territory as in Section 271(b) of the U.S. Patent Act, unless a legislation or treaty comes into effect to hold this true, the act of actively inducing infringement outside of the territory of a country where the patent is registered cannot be ruled illegal or construed to meet the requisite for constituting a tort.

[Summary 6] Therefore, since the fact of infringement upon the said U.S. patent falls under the meaning "when a fact occurring in a foreign county is not illegal under

Japanese law" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, none of the above-mentioned provisions of the U.S. Patent Act can be applied to the Appellee's act.
(4) Thus, the said claim for damages is ruled not justified for reasons, lacking grounds substantiated by law. The original judgment holding the same purport in its conclusion can be upheld. On the other hand, the argument in this respect is reduced to a criticism of the explanatory portion of the original judgment that does not affect the conclusion, and it cannot be accepted.
IV. Conclusion
As explained above, the original judgment can be upheld in its conclusion.
Regarding the preliminary motion, the reasons stated for acceptance of the Jokoku-appeal were excluded upon the decision to accept the Jokoku-appeal.
Therefore, except for a dissenting opinion expressed by Justice FUJII Masao with regard to the holding III-2, the judiciary opinion is unanimously formed and the judgment is rendered as the main text. Also, there is a supplementary opinion expressed by Justice IJIMA Kazutomo and an opinion expressed by Justice MACHIDA Akira.

With regard to the holding III-2, Justice IJIMA Kazutomo expresses a supplementary opinion as follows:
With regard to the said claim for damages on the ground of infringement of the said U.S. patent, U.S. law should apply as the governing law, and in such case, the laws of Japan are to be applied in an accumulative manner in accordance with Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, in which respect I would like to set out my own opinion as a supplement.
1. "When a fact occurring in a foreign county is not illegal under Japanese law" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General should be construed to mean that unless all of the requisites for constituting a tort under the laws of both countries (including not only general tort law but also patent law as the substantive law) are met, a tort should not be established. In this respect, the explanation is as shown by the majority opinion.
2. According to the principle of territoriality for patent rights, even if an act constituting infringement of a patent registered in Japan (for example, the act of manufacturing and marketing infringing goods) is carried out outside of the territory of Japan, such act itself is not taken as an infringement on the relevant patent registered in Japan, but when an act constituting an infringement on a patent registered in Japan is carried out outside of the territory of Japan or likewise, if the result of such infringement extends to within Japan

and it constitutes an act of actively inducing direct infringement in Japan, with regard to the above-mentioned act carried out overseas, it is not easy to determine whether or not the liability for a joint tort applies as a civil offense of instigating, or aiding and abetting. In the current international order concerning patent rights controlled by the laws of individual countries resting on the principle of territoriality, if the patent right holder seeks protection against direct infringement within Country A under the patent laws of Country A while seeking such protection in Country B as well, it is generally accepted that the said holder is required to register the patent on the same invention with Country B so that they can seek protection against the infringement occurring in Country B. In addition, Section 271(b) of the U.S. Patent Act, as mentioned above, provides to the effect that anyone actively inducing infringement of a U.S patent shall be liable as the infringing party and is construed to include the case where active inducement is carried out outside of U.S. territory so long as the act of direct infringement is carried out within the same territory, accordingly affirming liability for compensation with the act done outside of U.S. territory as a fact, and it is fair to say that the U.S. has taken a stance different from other countries in the above-mentioned international order, whereas the Patent Law of Japan without such provisions should be construed to take a stance of not allowing the validity of a Japanese patent right to extend to an act of active inducement done outside the territory of Japan. If that is the case, I do not side with Justice FUJII's dissenting opinion to hold liability for damages true by the theory of interpretation on Japanese civil law which acknowledge the act of actively inducing infringement as liability for damages considering as co-tortfeasor, and by citing the criminal precedent regarding the place of committing the act of instigating, aiding and abetting to construe the act of actively inducing infringement overseas as inseparable from direct infringement at home. Of course, I have no objection to holding liability for damages true in connection with the act of instigating, aiding and abetting infringement of a universally common private right, say, ownership, outside the territory of Japan, according to the theory of joint tort under the Japanese Civil Code, together with the directly infringing party at home in Japan. However, I am of the opinion that a patent right is a right established and registered on a country-by-country basis along with national industrial policy on the principle that such patent right comes into force within the territory of the relevant country, so that it should not be discussed from the same viewpoint as with the case of infringement upon universally-acknowledged rights such as ownership.

As explained above, so long as it is construed that the Patent Law of Japan does not take a stance that holds liability for a tort with regard to the act of actively inducing infringement of a patent outside the territory of the country where such patent was

registered, in the current international order without stipulations in this respect set forth by legislation, treaty, agreement, or other instrument, aside from applying the U.S. Patent Act to hold liability for damage true on the part of the directly infringing party within the U.S., the Japanese court cannot hold liability for a tort on the part of the doer of the act of manufacturing, exporting, etc. carried out within the territory of Japan on the grounds that such doer falls under a party carrying out the act of active inducement as stipulated under the U.S. Patent Act, as in this case.

3. Let me add a comment to Justice FUJII's opinion regarding a matter of judgment on judgment. If, pursuant to Section 271 (b) of the U.S. patent law, judgment on judgment is sought for a Japanese court to render in connection with the judgment of the U.S. court holding liability for damages true on the part of the party carrying out the act of active inducement within the territory of Japan, I am of the opinion that such action for judgment on judgment must be turned down in accordance with Article 24, Paragraph 3 of the Law of Civil Execution, Article 118, Item 3 of the Code of Civil Procedure on the grounds that it is contrary to the above-mentioned way of thinking about Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, as with the judgment affirming the amount of damages contrary to Article 11, Paragraph 3 of the Law Concerning the Application of Laws in General in a case to claim damages due to a tort.

With regard to the holding III-2, Justice MACHIDA Akira expresses an opinion as follows:

I agree with the conclusion of the majority opinion that the Appellant's claim for damages is not justified for reasons and should be dismissed. Regarding the said claim for damages, however, I find grounds different from those of majority opinion.

1. I agree with the majority opinion finding that it is necessary to specify the law governing the said claim for damages and refer to Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General for that purpose.

The question is whether the U.S. as construed by the majority opinion or Japan as construed by the original court is "the place where a fact constituting a cause occurred." The act of infringing a right alleged by the Appellant is after all the act of manufacturing and exporting carried out by the Appellee exclusively in Japan including the alleged act of actively inducing infringement of a U.S. patent. In addition to this, taking into account that the Appellant and the Appellee are Japanese or a Japanese corporation with a residential address or domicile in Japan and that the damage alleged by the Appellant was caused to the Appellant residing in Japan, it is appropriate to construe Japan as "the place where a fact constituting a cause occurred" and it must be determined whether a tort is

established or not under Japanese law.
2. In Japanese law, there is no provision prohibiting the Appellee from manufacturing and exporting (instead, the case record shows that the Appellee has manufactured and transferred the Appellee's Products as the working of his own patented invention), and in light of the Civil Code and the Patent Law of Japan, the Appellee's act is not illegal at all, so that there is no room for a tort to be established.
Therefore, the determination to the same effect that the court of original instance arrived at can be upheld.

With regard to the holding III-2, Justice FUJII Masao expresses a dissenting opinion as follows:
I do not agree with the conclusion of the majority opinion on the claim for damages on the grounds of infringement of the said patent for the following reasons:
1. I have the same opinion as the majority opinion in that the applicable part of the applicable law in the conflict of laws of the said claim for damages is a tort; the law governing the said case should be specified pursuant to Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General; "the place where a fact constituting a cause occurred" as described in Article 11, Paragraph 1 of the Law Concerning the Application of Laws in General should be construed to be the U.S. where the act of directly infringing the said U.S. patent was carried out, resulting in the infringed right, and the governing laws should be the laws of the same country. According to Section 271(b) and Section 284 of the U.S. Patent Act, whoever actively induces overseas the act of infringing a U.S. patent in the U.S. shall be liable for damages.
2. As to a tort, in accordance with Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, the laws of Japan as the forum are applied in an accumulative manner. In this case, "a fact occurring in a foreign county" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General is the fact of actively inducing infringement of the said U.S. patent within the territory of Japan and causing the resulting infringement in the U.S., and a tort cannot be established until this fact meets both the requisites under the law concerning the place of occurrence of the causal fact and the requisites for constituting a tort under Japanese law. In that case, in applying Japanese law, the existence of a U.S. patent as the infringed interest should be the first consideration, and so long as such right is a right established under the law governing itself, it should be determined, with the foregoing as the given premise, whether this kind of infringement on a right constitutes a tort under the laws of Japan (it is not appropriate to determine by considering it non-existent as a right because U.S. patents

are not valid in our country.)
According to Article 709, Article 719, Paragraph 2 of the Civil Code of Japan, the act of actively inducing infringement of a patent should be categorized as an act of instigating, aiding and abetting, and it is obvious that the party carrying out such act is deemed as a co-actor and should be liable for damages jointly and severally with the directly infringing party. Hence, it is the case where a tort is established under the laws of Japan. This construction does not allow the validity of a U.S. patent right to extend immediately to acts done outside of the particular country where the relevant patent is registered, but places joint and several liability with the directly infringing party for compensating damages arising from a direct infringement having occurred in the country in which the relevant patent is registered, which is not against the principle of territoriality.
3. The supplementary opinion stated by Justice IJIMA seems to take the case of infringement of Japanese patent rights into account when it comes to application of Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General, but in this case, because the event of actively inducing an infringement of the said U.S. patent within the territory of Japan and causing the resultant infringement in the U.S. represents "a fact occurring in a foreign county," as mentioned above, I do not think it is proper as an accumulative application technique pursuant to Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General to discuss the applicability of the tort law of Japan presupposing infringement of the Japanese patent right.
However, supposing the case of actively inducing infringement of a Japanese patent overseas is considered in deciding on this case, my opinion remains unchanged. That is, even in the case where the act of a person actively inducing infringement of a patent registered with Japan was carried out outside Japan, if the act of the infringing party directly infringing the relevant patent was carried out at home, it is appropriate to construe that the party actively inducing the infringement should be regarded as a co-actor, as an instigator or an aider and abettor, involved in infringement upon the patent at home and is held liable for damages by reason of causing damage at home together with the directly infringing party. Again, this construction is not against the principle of territoriality, as stated under 2 (in this connection, this construction is consistent with the construction that in application of a penal statute resting on the principle of territoriality, as to the offense of infringement upon a patent under Article 196 of the Patent Law, a party committing the act of instigating or aiding and abetting outside Japan, in a case where the principal carried out the act of committing the offense at home, is subject to punishment in Japan as "a person who committed a criminal offense in Japan" stipulated in Article 1, Paragraph 1 of the Penal Code; see the Judgment of the First Petty Bench

upon Case 1993 (A) No. 465 rendered on December 9, 1994, Keishu Vol. 48, No. 8, at 576).

4. In considering this case in the light of the foregoing understanding, the act of the Appellee who exported the Appellee's Products to the U.S. can be construed as the act of being involved in the act of the U.S. subsidiary's importing and marketing of the Appellee's Products in the U.S. as well as cooperating with the latter's profit-making activities, so that if the act of the U.S. subsidiary in the U.S. is found to have infringed the said U.S. patent, the Appellee's act is taken as instigating or aiding and abetting the said act of infringement. Then, since it does not fall under "when a fact occurring in a foreign county is not illegal under Japanese law" as described in Article 11, Paragraph 2 of the Law Concerning the Application of Laws in General for either of the reasons mentioned in 2 or 3 above, it should be held that the Appellee cannot be exempt from liability for damages as a joint tortfeasor together with the U.S. subsidiary.

If otherwise assumed, granted that the U.S. court issued a judgment for a claim for damages due to the act of actively inducing infringement of a U.S. patent carried out in Japan, if judgment on judgment by the Japanese court is sought, it would be inconsistent unless such action is turned down on the grounds of public order, but this conclusion is an unreasonable expansion of the rule of public order, which is not acceptable.

5. In conclusion, the determination of the court of original instance that the said claim for damages should be dismissed violates the statute, which obviously affects the judgment. Therefore, the said portion of the original judgment should be quashed, and this case should be remanded to the court of original instance so that the propriety of entering the said claim for damage can be thoroughly deliberated.

==========

Presiding judge

Justice IJIMA Kazutomo

Justice FUJII Masao

Justice MACHIDA Akira

Justice FUKAZAWA Takehisa

Justice YOKOO Kazuko

(This translation is provisional and subject to revision.)