Enforcement of Foreign Patents in Japanese Courts

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About Us: IP Cases in Japan

- Number of IP cases filed to the courts keeps high.
- Expediting of IP litigation continues.
- Topical issues in patent cases;
  - Patent exhaustion (grand panel judgment of Jan.31, 2006, Intellectual Property High Court)
  - requirement of inventive step (nonobviousness) (grand panel judgment of Sep.30, 2005, IP High Court)

About Us: Exclusive Jurisdiction over Patent Cases

- Patent infringement cases

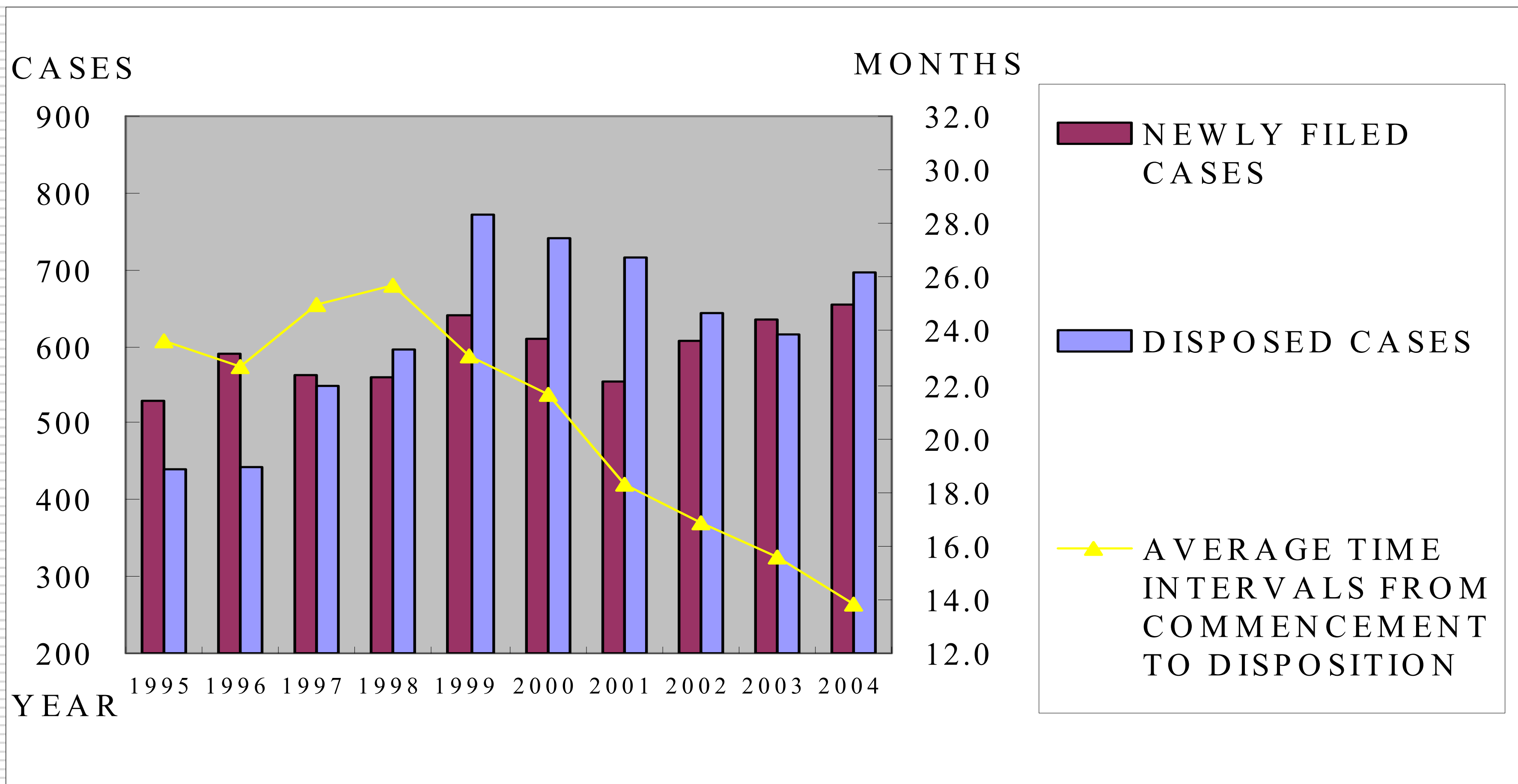
  → Tokyo and Osaka District Courts
- Suits against appeal/trial decisions made by JPO

  → Intellectual Property High Court

About Us: Tokyo District Court IP Divisions

- First IP Division (29th Civil Division) established in 1961
- 4 IP Divisions in total as of April 2004
- 17 Judges
- 7 Technical Research Officials
- Expert Commissioners

Statistics: IP infringement cases in the District Courts



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1.1 No Provisions for International Jurisdiction

Concerning international jurisdiction

- No provisions in the Code of Civil Procedure or no statutes concerning international jurisdiction
- No general rule internationally accepted
- No customary law

→ need to survey precedents

1.2 General Rule – Precedents -1

- **Judgment of Oct. 16, 1981, Supreme Court, 35 *Minshu* 1224 ("*Malaysian Airline Case*")**

  "Given that there are no laws or regulations directly providing for international jurisdiction over such cases, and there is no internationally recognized general rule as to under what circumstances the court in Japan should have jurisdiction or no customary law sufficiently developed in this regard, it is appropriate to decide on this matter on the basis of reason, guided by the ideas of fairness between the parties, ensurance of a just and speedy adjudication."

1.2 General Rule – Precedents -2

(***Malaysian Airline Case, cont'd***)

"If one of the territorial jurisdictions as provided by the Code of Civil Procedure of Japan can be found in Japan, in principle, it is appropriate to subject the defendant to the jurisdiction of the Japanese court in an action brought to a Japanese Court. … the appellant was incorporated under the law of Malaysia and has its principal place of business in that country, but … has a place of business in Tokyo, so it is reasonable to subject the appellant to the jurisdiction of Japan despite the fact that it is a foreign corporation having its principal place of business in a foreign country."

1.2 General Rule – Precedents -3

- **Judgment of Nov. 11, 1997, Supreme Court, 51 *Minshu* 4055**

"If one of the territorial jurisdictions as provided by the Code of Civil Procedure of Japan can be found in Japan, in principle, it is appropriate to subject the defendant to the jurisdiction of the Japanese court in an action brought to a Japanese court. However, if there are special circumstances where handling of the proceedings in Japan is against the ideas of fairness of the parties, ensurance of a just and speedy adjudication, the jurisdiction of the Japanese court should be denied."

1.2 General Rule – Precedents -4

- Rules extracted from the above cases:
  - Reasonableness in view of fairness between the parties and ensurance of just and speedy adjudication
  - One criterion is existence of territorial jurisdiction provided by the Code of Civil Procedure
  - Exception under special circumstances

Applicable to patent infringement cases?

1.2 General Rule – Precedents -5

- If applicable to patent infringement cases, international jurisdiction exists in cases as follows;
  - When the defendant has a domicile, an office of business pertaining to a suit or attachable property in Japan (Art.4, Code of Civil Procedure)
  - When parties have mutual consent on jurisdiction (Art.11, CCP)
  - When the defendant responds to proceedings without making any objection to the jurisdiction(Art.12, CCP)
  - When tort takes place in Japan (Art.5, CCP)
  - In case of joint claims (Art.7, CCP) and there is a close relationship between them (Judgment of Jun. 8, 2001, Supreme Court, 55 *Minshu* 727)

1.3 Principle of Territoriality -1

- Argument that application of principle of territoriality leads to denial of international jurisdiction or denial of infringement in foreign patent infringement cases
- Judgment of Jan. 27, 2000, Tokyo High Court, 1711 *Hanji* 131

  "The internationally recognized so-called principle of territoriality shall be applied to patent cases, and as a consequence, the patentee cannot claim for injunction based on foreign patents with no laws or conventions allowing it even if certain conduct is considered to be an infringement under the foreign law."

1.3 Principle of Territoriality -2

- The above argument was denied in the **judgment of Sep. 26, 2002, Supreme Court, 56 *Minshu* 1551 ("*Card Reader Case*").**

  "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 (Judgment of Jul. 1, 1997, Supreme Court, 51 *Minshu* 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.

1.3 Principle of Territoriality -3

- **Judgment of Oct. 16, 2003, Tokyo District Court, 1874 *Hanji* 23 ("*Coral Sand Case*")**
  - The plaintiff is a Japanese company selling and exporting to the U.S. products of coral fossil powder. The defendant is also a Japanese company which has a U.S. patent of composite including coral sands.
  - The plaintiff sought a declaratory judgment of not infringing the defendant's U.S. patent
  - Answering the defendant's argument that the principle of territoriality denies the international jurisdiction in this case, the court quoted the meaning of the principle set by the Supreme Court judgment of Jul. 1, 1997 and stated that the principle is related to the substantive effect of patents but not to jurisdiction.

1.3 Principle of Territoriality -4

- Supreme Court’s decision on the meaning of the principle of territoriality
  - Argument that foreign patent infringement claims are to be denied without concerning choice of law question

    → denied
  - The principle not related to international jurisdiction, but related to substantive law

1.4 When Patent Validity Argued -1

- What should the court do when patent validity issue is raised in foreign patent infringement case?
- Widely recognized argument: Lawsuit as to validity or nullity of patent goes under an exclusive jurisdiction of the country where the patent was registered.

How about in infringement cases asserted as a defense?

1.4 When Patent Validity Argued -2

- ***Coral Sand Case* (Judgment of Oct. 16, 2003, Tokyo District Court)**
  - The plaintiff is a Japanese company selling and exporting to the U.S. products of coral fossil powder. The defendant is also a Japanese company which has a U.S. patent of composite including coral sands.
  - The plaintiff sought a declaratory judgment of not infringing the defendant's U.S. patent

1.4 When Patent Validity Argued -2

- ***Coral Sand Case (cont'd)***
  - The plaintiff asserted that the patent is invalid, in addition to that the products did not infringe the patent literally or under the doctrine of equivalents.
  - After accepting the widely recognized argument of admitting exclusive jurisdiction over patent validity or nullity litigation to the courts of the registered country, the court stated that validity assertion does not provide a reason to deny international jurisdiction of the Japanese courts, because the court's decision only binds parties in the present case and does not make the patent invalid.

1.4 When Patent Validity Argued -3

- No Supreme Court decision as to this issue (No appeal was made to the "*Coral Sand Case*".)
- Some argument that it is not appropriate to decide validity of foreign patents in the Japanese courts
  - difficulties in deciding because of the issue's close connection with the patent acquiring or nullifying procedures.
  - possibility to apply Art. 168, Sec.2 (suspension of litigation proceedings) when patent nullification proceeding is pending in the registered country?

1.5 When Foreign Litigation Pending

- Art.142 CCP (Prohibition of double suits)

  No party shall file a suit concerning a matter presently pending before a court.
- No court decision (in patent infringement cases) yet
- Leading opinion says it can affect the issue of international jurisdiction.

  A: International jurisdiction is denied if the precedent foreign judgment is likely to be approved and executed in Japan.

  ← any difficulties in predicting "likeliness"?

  B: The fact is considered to be one of the factors in deciding issues of international jurisdiction or standing.

  ← any problem in consistency with foreign judgment approval system?

2 Choice of Law -1

- **Judgment of Sep. 26, 2002 Supreme Court, 56 *Minshu* 1551 ("*Card Reader Case*")**
  - The Appellant has a U.S. patent on an invention titled "FM signal demodulator". (no parallel Japanese patent)
  - The Appellee manufactured "card reader" in Japan and exported to the U.S., and its subsidiary in the U.S. sold them in the U.S.
  - The Appellant asserts that supposing the said product comes under the technical scope of the invention and the U.S. subsidiary's act infringes the U.S. patent, the Appellee's act of exporting falls under the act of actively inducing infringement of a U.S. patent provided in Art. 271(b) of the U.S. Patent Act.

2 Choice of Law -2

(***Card Reader Case, cont'd***)

- "we rule that the law governing an action for injunction be the law of the country where the said patent right was registered, and accordingly for the said action for injunction, it is adjudicated that the law of the U.S. where the said U.S. patent right was registered be the governing law."

2 Choice of Law -3

(***Card Reader Case, cont'd***)

- "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 said country, but after all admitting an injunction to prohibit the act carried out in Japan, by 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 (concerning) treaty between Japan and the U.S., …hence it must be irreconcilable to the fundamental principle of the Japanese patent law…."

2 Choice of Law -4

(***Card Reader Case, cont'd***)

- "For these reasons, it is appropriate to construe that to order the injunction by applying the said provisions of the U.S. Patent Act is contrary to the 'public order' as described in Art. 33 of the Law Concerning the Application of Laws in General, and it is adjudicated that the said provisions shall not apply."
  - Art. 33 referred above provides that the foreign law provisions shall not be applied when the result of the application contradicts the public order.

3 Some Comments

- Issue of the international jurisdiction when patent validity issue raised or foreign litigation pending remained controversial
  - Possibility of considering these situation as factors of ‘special circumstances’ to deny international jurisdiction?
- Harmonization of patent legal system in substantive and procedural aspects even more important

Thank you very much for your attention!