

Date	January 29, 2009	Court	Intellectual Property High Court, Second Division
Case number	2008 (Ne) 10061		
It is appropriate to construe that the term "action relating to a patent right," as provided for in Article 6, paragraph (1) of the Code of Civil Procedure, widely covers various kinds of actions relating to a patent right, including not only an action for an injunction or damages against patent infringement and an action for payment of the value of an employee invention, but also an action arising in relation to an agreement for the grant of an exclusive or non-exclusive license.			

References:

Article 6, paragraph (1) of the Code of Civil Procedure

Summary of Judgment

Appellee A and Appellee B, the defendants in the first instance, are the holders of Patent No. 2835325 (the Patent). They entered into an agreement with Appellant C, another defendant in the first instance, to grant an exclusive license based on the Patent, but did not have the grant of the exclusive license registered in the patent registry. Subsequently, Appellee C entered into an agreement with the appellant, the plaintiff in the first instance, to grant a non-exclusive license based on the Patent (the Non-exclusive License), in exchange for a lump sum payment of 35 million yen and a patent royalty at the rate of 5% of the product sales price per unit of the patented product (the License Agreement).

The appellant, who had been granted the Non-exclusive License, filed this suit against Appellees A, B, and C, to claim that they are jointly and severally liable to pay 50 million yen as damages for their tort or default of their obligations, with delay damages accrued thereon, alleging that the exclusive license in question is invalid due to its grant not having been registered, and accordingly, the Non-exclusive License, which was granted based on said exclusive license, is also invalid.

The court of prior instance (Saitama District Court) dismissed the appellant's claim, holding as follows: "As Appellees A and B, the holders of the Patent, promised to grant an exclusive license to Appellee C, Appellee C can be deemed to have acquired a non-exclusive license granted solely thereto for the working of the patented invention and to have entered into an agreement with the appellant to grant the Non-exclusive License based on said non-exclusive license granted solely to the single licensee, and in this respect, Appellee C can be found to have granted a valid non-exclusive license to the appellant. Consequently, the grant of the Non-exclusive License cannot be judged to be invalid." Dissatisfied with this ruling, the appellant appealed to this court.

This court revoked the judgment in prior instance and transferred this case to the Tokyo District Court, which has jurisdiction over this case. In this judgment, the court ruled as follows:

"Article 6, paragraph (1) of the Code of Civil Procedure provides that an 'action relating to a patent right' shall be subject exclusively to the jurisdiction of the Tokyo District Court or the Osaka District Court. It is appropriate to construe that the term 'action relating to a patent right' widely covers various kinds of actions relating to a patent right, including not only an action for an injunction or damages against patent infringement and an action for payment of the value of an employee invention, but also an action arising in relation to an agreement for the grant of an exclusive or non-exclusive license, as the one filed in this case. Assuming so, with regard to the action of this case in which the plaintiff has its domicile in Tokyo and all of the defendants have their domicile in Saitama Prefecture, in accordance with Article 6, paragraph (1) of the Code of Civil Procedure, the Tokyo District Court shall have exclusive jurisdiction as the court of first instance. In conclusion, the judgment in prior instance, which was rendered by the court that had no jurisdiction over this case, should inevitably be quashed."

Judgment rendered on January 29, 2009

2008 (Ne) 10061 Appeal Case of Seeking Compensation for Damages (court of prior instance: Saitama District Court, 2007 (Wa) 1020; prior to sending, Tokyo High Court, 2008 (Ne) 3406)

Date of conclusion of oral argument: December 10, 2008

Judgment

Appellant: Kabushiki Kaisha Organic Land Systems

Appellee: Green Cross Japan

Appellee: Y

Appellee: Central Engineering Co., Ltd.

Main Text

1. The judgment in prior instance shall be revoked.
2. This case shall be transferred to the Tokyo District Court.

Facts and reasons

No. 1 Purposes of the appeal

1. The judgment in prior instance is revoked.
2. The appellees jointly and severally pay to the appellant 50,000,000 yen and the amount calculated by the rate of 5% per annum accrued thereon for the period from May 24, 2007 to the date of completion of the payment.
3. The appellee bears the court costs for both the first and second instances.
4. Declaration of provisional execution regarding the second paragraph

No. 2 Background

[Abbreviated names used in the judgment in prior instance shall be applicable.]

1. Appellee P (Green Cross Japan) and Appellee Q (Y), both of whom are the defendants in the first instance, are the patentees of Patent No. 2835325 (hereinafter referred to as the "Patent") as described below.

Notes

Application date: November 14, 1997

Application number: Patent Application No. 1997-349898

Registration date: October 9, 1998

Inventor: Y

Title of the invention: Refrigeration system and heat exchanger device for condensation

(omitted)

2. On June 8, 2004, Appellees P and Q concluded with Appellee R (Central Engineering Co., Ltd.), who is the defendant in the first instance, an exclusive license contract establishing an

exclusive license for the Patent (Exhibit Ko No. 2). However, establishment of the exclusive license has not been registered in the Patent Registry.

3. After that, on June 16, 2004, Appellee R concluded with the appellant (former trade name: "Tose World Kabushiki Kaisha") a contract (Exhibits Ko No. 1 and No. 7; hereinafter referred to as the "License Contract") to the effect that Appellee R will grant a non-exclusive license (hereinafter referred to as the "Non-Exclusive License") for the Patent to the appellant and will receive, as a consideration therefor, a lump sum payment of 35,000,000 yen and payment of a patent royalty of 5% of the sales price per patented product sold. Incidentally, Appellee R and the appellant agreed in writing at that time that the Saitama District Court (described as the "Urawa District Court" in the document) shall be a court with jurisdiction over the first instance for any action concerning the License Contract (Exhibit Ko No. 1).

4. The appellant, who received the establishment of a non-exclusive license as mentioned in 3. Above, alleged that the exclusive license that serves as the basis for said establishment of a non-exclusive license is an invalid one whose establishment has not been registered and that the establishment of the Non-Exclusive License based thereon is also invalid. Based on this allegation, the appellant filed this action against Appellees P, Q, and R to seek joint and several payment of damages of 50,000,000 yen with delay damages accrued thereon calculated by the rate of 5% per annum for the period from May 24, 2007 (the day following the date of service of the complaint) to the date of completion of the payment.

5. On May 21, 2008, the Saitama District Court, which is the court of prior instance, held as follows: "As Appellees P and Q, who are the patentees, promised Appellee R the establishment of an exclusive license, Appellee R can be considered to have obtained a monopolistic non-exclusive license for the working of the Patent and to have concluded a contract establishing the Non-Exclusive License with the appellant based on said license. In that case, Appellee R can be considered to have established and granted a valid non-exclusive license to the appellant. Therefore, it cannot be said that the establishment of the Non-Exclusive License is invalid." Based on this holding, the court dismissed the claims of the appellant, who is the plaintiff in first instance. Accordingly, dissatisfied with this dismissal, the appellant filed this appeal.

(omitted)

No. 4 Court decision

1. According to the record of this case, as stated in No. 2, 1. to 4. above, the appellant (plaintiff in first instance), who received the establishment of a non-exclusive license for the Patent from Appellee R based on the License Contract, alleged as follows: Although Appellee R has

received the establishment of an exclusive license from Appellees P and R, who are the patentees of the Patent, the exclusive license is invalid because establishment of the exclusive license has not been registered; therefore, establishment of the Non-Exclusive License based thereon is also invalid. Based on this allegation, the appellant filed this action against Appellees P, Q, and R to seek joint and several payment of damages of 50,000,000 yen with delay damages based on a tort or a default. The issue is whether the License Contract has the effect of establishing a non-exclusive license for the patent right.

2. According to Article 6, paragraph (1) of the Code of Civil Procedure, it is provided that an "action relating to a patent right ..." shall be under the exclusive jurisdiction of the Tokyo District Court or the Osaka District Court. It is reasonable to understand that the "action relating to a patent right" mentioned here includes wide-ranging actions relating to patent rights and is not limited to actions for seeking an injunction or payment of damages on the grounds of infringement of a patent right and actions for seeking payment of a value for an employee invention but also includes actions relating to contracts establishing an exclusive or non-exclusive license for a patent right like this action. In that case, according to Article 6, paragraph (1) of the Code of Civil Procedure, the Tokyo District Court has the exclusive territorial jurisdiction over the first instance for this action, in which the plaintiff in the first instance has a domicile in Tokyo and all the defendants in the first instance have domiciles in Saitama Prefecture. Therefore, the judgment in prior instance was rendered with lack of jurisdiction and is subject to revocation.

Incidentally, Appellee P (Green Cross Japan) alleges that the appellant's allegation of lack of jurisdiction goes against good faith and is impermissible. However, whether a judgment goes against exclusive jurisdiction is a matter that must be investigated and determined by the court's own authority. Consequently, even if there was the abovementioned fact as alleged by Appellee P in prior instance, it will not affect the aforementioned determination.

3. Therefore, pursuant to Article 309 of the Code of Civil Procedure, the judgment in prior instance shall be revoked, and this case shall be transferred to the Tokyo District Court, which is the court with jurisdiction. The judgment shall be rendered in the form of the main text.

Intellectual Property High Court, Second Division

Presiding judge: NAKANO Tetsuhiro

Judge: MORI Yoshiyuki

Judge: SHIBUYA Katsumi

(omitted)