

# Patent Infringement by Multiple Parties and Conflict of Laws

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## I. Introduction

This article will focus on patent infringement perpetrated by multiple parties on an international scale and examine the difficulties that patent holders meet when they seek to obtain an effective remedy from the viewpoint of conflict of laws (private international law).

It is essential for states promoting a pro-innovation policy to address the

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question of whether patent holders can obtain effective remedies in cases where their patents are infringed. It is easy to imagine that inventors would have no strong motivation to apply for a patent without the possibility of receiving an effective remedy against the infringement of their patent. In cases of cross-border patent infringement, several legal orders might be connected to the infringing activities. Thus, conflict of laws is important as a framework to coordinate these legal orders so as to give patent holders an effective remedy. Conflict of laws deals with issues of jurisdiction, of choice of law, and of the recognition and enforcement of foreign judgments.

Patents have special characteristics in an international context: patents exist independently in each jurisdiction (principle of independence) and each country's patent has effect only within the territory of that country (principle of territoriality).<sup>1)</sup> These principles have brought patent holders considerable difficulties. First, patent holders often have to take actions in several countries against the same (or the same group of) defendant(s) with regard to the same infringing activities because of the principle of independence. Second, patent holders cannot use their own right in country A in order to prohibit infringing activities in country B because of the principle of territoriality.

These difficulties are most remarkable in the case of the cross-border infringement perpetuated by multiple parties. Although this kind of infringement has increased in number, it cannot be said that conflict of laws provides a sufficient way of dealing with it. The following sections will describe, first, issues with regard to international judicial jurisdiction in cases of patent infringement by multiple parties (II) and second, choice of law issues (III). In each section, the current situation will be analyzed, and then legislative proposals offered by academic groups will be examined, mainly in Japan.

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1) As regards patents, see, Supreme Court, Judgment, July 1, 1997 [BBS case], *Minshū* Vol. 51, p. 2299. English text can be found in *Japanese Annual of International Law [JAIL]*, Vol. 41 (1998), p. 100.

## II. International Jurisdiction

As for international judicial jurisdiction, it had been considered that there was no specific provision prescribing it in Japan.<sup>2)</sup> This situation changed with the adoption of the new “Act for the Partial Amendment of the Code of Civil Procedure and the Civil Provisional Remedies Act” [hereafter referred to as “the Act”],<sup>3)</sup> which came into force on 1 April 2012.<sup>4)</sup>

In order to reflect on the jurisdictional issues with regard to patent infringement by multiple parties, it seems useful to distinguish two cases: cases where multiple parties perpetuate a patent (or patents) only in one jurisdiction (1) and cases where they perpetuate patents in several jurisdictions (2).

### 1. Infringement of a Patent Only in One Jurisdiction

First, in cases where multiple parties perpetuate a patent (or patents) infringement only in one jurisdiction, the plaintiff often brings an action based on the infringement, which occurred in the forum, against not only a subsidiary or agent which directly infringed the patent but also against other entities such as parent companies located abroad which contributed to the infringement through activities such as the manufacture and sale of the products in question to the forum. In these cases, from a practical business perspective, there would be ample reason to allow claims against those parties to be tried in the same action. Thus, the question is whether courts could have their international jurisdiction over the company located in another country. In other words, the question is whether or not a joinder of claims against these parties should be allowed (subjective joinder).<sup>5)</sup>

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2) M. Dogauchi, “New Japanese Rules on International Jurisdiction: General Observation”, *The Japanese yearbook of International Law* [JYIL], Vol. 54 (2011), p. 260, pp. 262-64.

3) Act No. 36 of May 2, 2011.

4) As for the features of this new legislation, see Dai Yokomizo, “The New Act on International Jurisdiction in Japan: Significance and Remaining Problems”, *Zeitschrift für Japanisches Recht* [Journal of Japanese Law], No. 34 (2012), p. 95.

5) Shigeki Chaen/Toshiyuki Kono/Dai Yokomizo, “International Jurisdiction in

With regard to this question, Japanese courts have shown a reticent attitude. There have been two cases involving infringement of domestic patent rights, in which suits were filed on the grounds of joint tort against the foreign parent company in addition to the Japanese company that manufactured and sold the products in Japan. In one of the cases, subjective joinder was not raised as an issue at all, and the court dismissed the case in holding that the plaintiff did not sufficiently establish the existence of the joint tort.<sup>6)</sup> In the other case, the court followed the decision of the main lower court precedents to date and dismissed the claim, ruling that subjective joinder was allowed only “where there are special circumstances that recognizing international jurisdiction in the courts of Japan particularly conforms to the principles of fairness as between the parties and the expectation of a proper and speedy trial, such as where joint actions are inherently necessary, or a strong relationship of a similar degree is found between the claim against the co-defendant and the claim against the defendant.”<sup>7)</sup> This reticent attitude of Japanese courts in patent disputes followed the general tendency in case law against the subjective joinder in international civil litigation: Japanese courts have allowed it only where there are exceptional circumstances, in considering the disadvantage to a foreign defendant who would be forced to respond to an action in Japan.<sup>8)</sup> However, this tendency of Japanese courts is not attractive to patent holders as it means that they must sue the direct and the indirect infringers separately in different jurisdictions and the decisions in these jurisdictions may sometimes conflict with each other.

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Intellectual Property Cases: The Transparency Proposal” in: J. Basedow/T. Kono/A. Metzger (eds), *Intellectual Property in the Global Arena – Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Mohr Siebeck, 2010), p. 119.

6) Tokyo District Court, Judgment, 14 May 2001, *H. J.*, No. 1754, p. 148. Cf. Satoshi Watanabe, “Takokuseki Kigyō Grūpu niyoru Nihon Tokkyo Ken Shingai to Waga Kuni no Kokusai Saiban Kankatsu” [Infringement of Japan’s Patent by the Group of Multinational Enterprise and International Jurisdiction], *L & T*, No. 18 (2003), p. 20; Shōichi Kidana, *Kokusai Chiteki Zaisan Hō* [International Intellectual Property Law] (Nihon Hyōron Sha, 2009), p. 225.

7) Tokyo District Court, Judgment, 28 November 2007 (unpublished).

8) See, Chaen/Kono/Yokomizo, *supra* note (5), p. 119.

In response to the above-described practice of the courts, in academic circles some scholars have argued in favor of the extensive use of subjective joinder in disputes with regard to patent infringement by multiple parties. For example, one legislative proposal drafted by an academic group (“Transparency proposal”) allows subjective joinder in cases where the party that directly carries out the acts of infringement is a wholly owned subsidiary or agent of a foreign company and the acts are carried out in accordance with the instructions of the foreign parent company.<sup>9)</sup>

Under the Act newly enacted, subjective joinder would be allowed with respect to actions where the rights or obligations, which are the purpose of the actions, are common among several persons, or are based on the same factual and legal grounds.<sup>10)</sup> This rule can be considered to have changed the above-mentioned attitude taken by lower instance courts<sup>11)</sup> and it can be said that the situation has been improved in this point.<sup>12)</sup>

## 2. Infringement of Patents in Different Jurisdictions

Second, in cases where subsidiaries or agents that belong to the same corporate group infringe on corresponding patent rights in multiple countries, an issue arises as to whether or not a joinder of claims against these parties should be allowed.

As for this issue, the “Spider in the Web” doctrine was developed by a court

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9) *Ibid.*, p. 126. Article 110 (2): “In cases of multiple claims against different defendants, or claims by multiple plaintiffs, where the claims are closely related to each other, and where Japanese courts have international jurisdiction over one of the claims, Japanese courts shall have jurisdiction over the other claims as well; provided, however, that in regard to different defendants, international jurisdiction of Japanese courts shall be limited to persons who would ordinarily foresee that Japanese courts would have international jurisdiction over them.” (underline added)

10) Art. 3-6.

11) Yokomizo, *supra* note (4), pp. 107-108.

12) One judge has recently claimed that a Japanese court would have international jurisdiction over a foreign parent company which contributes to the direct infringement on the ground of tort, since the result of its activity occurs or may occur in Japan. Makiko Takabe/Seiji Ohno, “Shōgai Jiken no arubeki Kaiketsu Hōhō” [Appropriate Approach for resolving international cases], *Patento* [Patent], Vol. 65, No. 3 (2012), p. 95, 104.

in the Netherlands.<sup>13)</sup> According to this doctrine, which emphasizes the defendant's foreseeability,<sup>14)</sup> in cases where the rights are allegedly infringed by several companies belonging to the same group, international jurisdiction will be allowed under article 6 (1) of Brussels I Regulation<sup>15)</sup> only when the defendant domiciled in the Netherlands is the management epicenter of the group. Academic opinion has received this doctrine favorably, considering it reasonable that in situations where the infringers belong to the same group and the infringement is controlled by a single company jurisdiction over the multiple defendants in the court which has jurisdiction against the company ordering the said policy is sufficiently justified. Jurisdiction of the court which has jurisdiction over the companies which are following orders, on the other hand, would not be so justified.<sup>16)</sup>

However, the European Court of Justice has held, in a case where American patent-holders sued 9 companies of Roche group in the Hague District Court, that the infringements of patents arising out of the same European patent do not constitute a situation where "the claims are so closely connected".<sup>17)</sup> The Court ruled that, whereas it is necessary for the application of article 6 (1) for the claims to occur under the same legal and factual situation, there was no same factual situation since the defendants were different and the alleged infringement acts were perpetuated in different countries. Further, there was no same legal situation since the infringement of different countries' patents arising out of a European patent was still to be determined by the different countries'

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13) The Hague Court of Appeal, 23 April 1998, *Expandable Grafts, Ethicon & Cordis Europe v. Boston Scientific* [1999] FSR 352.

14) *Expandable Grafts, Ethicon & Cordis Europe v. Boston Scientific, id.*, p. 359.

15) "A person domiciled in a Member State may also be sued:

1. where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provide the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings:"

16) Arnaud Nuyts/Katarzyna Szczołowska/Nikitas Hatzimihail, "Cross-Border Litigation in IP/IT Matters in the European Union: The Transformation of the Jurisdictional Landscape", in Arnaud Nuyts (ed.), *International Litigation in Intellectual Property and Information Technology* (2008, Kluwer), 1, p. 19; Cristina Gonzalez Beilfuss, "Is There Any Web for the Spider? Jurisdiction over Co-defendants after *Roche Nederland*", in Arnaud Nuyts (ed.), *ibid.*, 79, p. 85

17) *Roche Nederland e.a. v. Primus*, Case No. C-539/03 [2006] ECR I-6335.

laws. Moreover, the Court explicitly denied the “Spider in the Web” doctrine in the following way. Even in cases where the defendant companies, belonging to the same group, act in the same way, it cannot be said that the same legal situation exists. Rather, if joinder were allowed in such cases, many problems would arise for the fair administration of justice: a decrease in the defendants’ foreseeability, an increase of forum shopping, the necessity of substantive review before the trial on the merits, the impossibility of joinder for the trial on the validity of the patents because of exclusive jurisdiction and others. These problems may become factors that increase the risks rather than the advantages.

This judgment has been fiercely criticized by academic opinions which consider that it may seriously restrict the possibility of cross-border intellectual property disputes under the Brussels system.<sup>18)</sup> Also, in response to this judgment the CLIP group published a reform proposal which would introduce the “Spider in the Web” doctrine to article 6 (1) of Brussels I Regulation.<sup>19)</sup>

18) Nuyts/Szchowska/Hatzimihail, *supra* note (16), p. 31; Beilfuss, *supra* note (16), pp. 84-88; Michael Wilderspin, “La compétence juridictionnelle en matière de litiges concernant la violation des droits de propriété intellectuelle - Les arrêts de la Cour de justice dans les affaires C-4/03, *GAT c. LUK* et C-539/03, *Roche Nederland c. Primus et Goldberg*”, *Rev. crit.* 2006. 777, p. 794.

19) European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP), “Exclusive Jurisdiction and Cross Border IP (Patent) Infringement: Suggestions for Amendment of the Brussel I Regulation (20.12.2006), available at [http://www.ivir.nl/publications/eechoud/CLIP\\_Brussels\\_%201.pdf](http://www.ivir.nl/publications/eechoud/CLIP_Brussels_%201.pdf) (last visited, February 6, 2013).

The addition of the following provisions to article 6 (1) is proposed.

“For the purposes of this provision, a risk of irreconcilable judgments exists in disputes involving essentially the same legal and factual situation.

(i) A finding that disputes involve the same legal situation shall not be excluded by the mere fact that different national laws are applicable to the separate proceedings, provided that the applicable provisions of the relevant national laws are harmonised to a considerable degree by Community legislation or an international convention applicable in each of the proceedings.

(ii) Where the risk of irreconcilable judgments arises out of the fact that the defendants engage in coordinated activities, the defendants may only be sued in the courts for the place where the defendant coordinating the activities is domiciled. Where the activities are coordinated by several defendants, all defendants can be sued in the courts for the place where any one of the defendants coordinating the activities is domiciled.”

Furthermore, the final text of the “Principles for Conflict of Laws in Intellectual Property” in which European Max-Planck Group on Conflict of Laws in Intellectual Property on 1 December 2011 (available at <http://www.cl-ip.eu/>) follows this proposal in the following:

Article 2:206: Multiple defendants

“(1) A person who is one of a number of defendants may also be sued in the courts of

However, the newly born Brussels I Regulation Recast,<sup>20)</sup> which will apply from 10 January 2015, did not consider these criticisms and did not change the rule.<sup>21)</sup>

In Japan, there are no precedents regarding such disputes. Under the Act, it would be open to interpretation where such claims are considered to be “based on the same factual and legal causes”, since patents in different countries are legally independent from each other.<sup>22)</sup> However, under the Transparency Proposal, the “spider in the web” doctrine is introduced in a straightforward manner,<sup>23)</sup> in order to make the litigation in Japan more effective for patent

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the State where any of the defendants is habitually resident, provided the claims are so closely connected that it is appropriate to hear and determine them together to avoid the risk of incompatible judgments resulting from separate proceedings.

(2) For the purposes of paragraph 1, a risk of incompatible judgments requires a risk of divergence in the outcome of the actions against the different defendants which arises in the context of essentially the same situation of law and fact. In particular in infringement disputes and subject to the individual circumstances of the case,

(a) disputes involve essentially the same factual situation if the defendants have, even if in different States, acted in an identical or similar manner in accordance with a common policy;

(b) disputes may involve essentially the same legal situation even if different national laws are applicable to the claims against the different defendants, provided that the relevant national laws are harmonised to a significant degree by rules of a regional economic integration organisation or by international conventions which are applicable to the disputes in question.

(3) If it is manifest from the facts that one defendant has coordinated the relevant activities or is otherwise most closely connected with the dispute in its entirety, jurisdiction according to paragraph 1 is only conferred on the courts in the State where that defendant is habitually resident. In other cases, jurisdiction is conferred on the courts in the State or States of habitual residence of any of the defendants, unless

(a) the contribution of the defendant who is habitually resident in the State where the court is located is insubstantial in relation to the dispute in its entirety or

(b) the claim against the resident defendant is manifestly inadmissible.”

20) Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), OJ 20 December 2012, L 351/1.

21) Article 8(1).

22) Dai Yokomizo, “Japan”, in: Toshiyuki Kono, *Intellectual Property and Private International Law* (Hart Publishing, 2012), 763, p. 777.

23) Article 110(3): “In cases of multiple claims against different defendants, where the intellectual property rights that are the basis for each claim have been granted in different countries, where Japanese courts have international jurisdiction over one of the claims, and where each of the intellectual property rights is substantively related to the others, Japanese courts shall have international jurisdiction over the other claims as well; provided, however, that when Japanese courts shall have international jurisdiction in accordance with provisions regarding special jurisdiction, international jurisdiction



holders.<sup>24)</sup>

### 3. Summary

Although the change in practice is slow, it can be said that the direction in academic opinion is oriented towards the extension of international jurisdiction in order to give patent holders a more effective remedy. Such an extension might necessarily cause a conflict of jurisdictions. As for the coordination with regard to *lis pendens*, the following opposing theories exist in Japan: the “exceptional circumstances” theory where the suit that is pending in a foreign country is considered to be an element of a specific decision based on “exceptional circumstances”;<sup>25)</sup> and the theory based on anticipated recognition where the suit filed later in Japan is dismissed in cases where it is anticipated that the judgment in a prior foreign suit will be recognized in Japan in the future.<sup>26)</sup> Whilst there are some cases in which the theory based on anticipated recognition was clearly adopted,<sup>27)</sup> when considering pending foreign suits, many courts have relied on the “exceptional circumstances” theory.<sup>28)</sup>

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of Japanese courts shall be limited to cases where the primary obligations should be or should have been performed in Japan, or the primary facts occurred or should occur in Japan, and that in regard to different defendants, international jurisdiction of Japanese courts shall be limited to persons who would ordinarily foresee that Japanese courts would have international jurisdiction over them.”

24) Chaen/Kono/Yokomizo, *supra* note (5), p. 127.

25) Kazunori Ishiguro, *Kokusai Minji Hunsō Shori no Shinsō* [Depth of International Civil Dispute Resolution] (Nihon Hyōronsha, 1992), p. 101.

26) Masato Dogauchi, “Kokusai teki Soshō Kyōgō (5)” [International Parallel Litigation (5)], *Hōgaku Kyōkai Zasshi* [Journal of the Jurisprudence Association], Vol. 100, No. 4 (1983), p. 722; *id.*, “Concurrent Litigations in Japan and the United States”, *JAIL*, No. 37 (1994), p. 72, pp. 89-92.

27) Tokyo Family Court, Judgment, 31 March 2005 (unpublished), but *reversed*, Tokyo High Court, Judgment, 14 September 2005 (unpublished). Cf. Tokyo District Court, Interlocutory Judgment, 30 March 1989, *H. J.*, No. 1348, p. 91 (anticipated recognition was mentioned).

28) Tokyo District Court, Judgment, 15 February 1984, *H. J.*, No. 1135, p. 70; Tokyo District Court, Judgment, 23 June 1987, *H. T.*, No. 639, p. 253, *H. J.*, No. 1240, p. 27; Tokyo District Court, Interlocutory Judgment, 19 June 1989, *H. T.*, No. 703, p. 246; Tokyo District Court, Judgment, 29 January 1991, *H. J.*, No. 1390, p. 98; Shizuoka District Court, Hamamatsu Local Branch, Judgment, 15 July 1991, *H. J.*, No. 1401, p. 98; Tokyo District Court, Judgment, 27 November 1998, *H. T.*, No. 1037, p. 235; Tokyo District Court, Judgment, 30 January 2004, *H. J.*, No. 1854, p. 51; Tokyo

The Act has no special provision in this regard. In fact, a provision regarding the stay of the proceedings based on the theory of anticipated recognition was proposed in the Preliminary Draft. However, it was strongly criticized with public comments by courts on the grounds of the ambiguity of conditions and the possibility of strategic abuse. As a result, the introduction of the provision was finally abandoned.<sup>29)</sup>

Under the “exceptional circumstances” theory, it seems possible to coordinate parallel proceedings in different jurisdictions to a certain degree. However, in cases of patent infringement by multiple parties, since the parties in each suit might be different the scope of the claims to be coordinated should be made clear. In regard to this issue, the Transparency Proposal puts forward a provision under which claims that can be handled in the same suit through joinder of jurisdiction should be coordinated within the framework of international parallel litigation.<sup>30)</sup> This broad possibility of coordination under the framework of parallel litigation would further the consolidation of claims.

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District Court, Judgment, 20 March 2007, *H. J.*, No. 1974, p. 156.

29) See, M. Dogauchi, “Nihon no atarashii kokusai saiban kankatsu rippō ni tsuite” [On the New Legislation on International Jurisdiction in Japan], *Kokusai shihō nenpō* [Japanese Yearbook of Private International Law], Vol. 12 (2010), p. 186, p. 203.

30) Article 201

“1. In cases where a suit is pending in a court in a foreign country and is based on the same cause of action as or the cause of action related to that in a lawsuit in front of the Japanese court, when the primary obligation should be or should have been performed in that foreign country, or the primary facts occurred or should occur in that foreign country, in the absence of special circumstances, the claim shall be dismissed.

2. In cases in the preceding paragraph, the court may stay the procedure for a reasonable period of time that the court determines, or until the suit in the foreign country is dismissed or the decision in the foreign country becomes final and conclusive. The previous sentence also applies, when the primary obligations should be or should have been performed in a foreign country other than that foreign country, or the primary facts occurred or should occur in a foreign country other than that foreign country.

3. In cases where a proceeding concerning the validity of the intellectual property right that is the basis of the claim, is in progress in a foreign state authority, the court may stay the procedure for a reasonable period of time that the court determines, or until the foreign proceeding renders a final decision..

4. In cases in the previous three Paragraphs, the court may communicate directly with, or may request information directly from, the court in the foreign country, in order to make the decision to dismiss the claim, stay the procedure or conduct the subsequent deliberations.” (underline added)

### Ⅲ . Choice of Law

As for choice-of-law rules in Japan, the first enacted choice-of-law rules, *Hōrei*,<sup>31)</sup> was drafted under the influence of the second Gebhard draft of 1887 of the German Civil Code and other dominating scholarly opinions of the time.<sup>32)</sup> As the result of the 2006 reform on civil and commercial matters a new Act on General Rules for Application of Laws (“*Hō no tekiyō ni kan suru tsūsoku-hō*”) was adopted and came into force on 1 January 2007.<sup>33)</sup>

Here again, it is useful to distinguish cases where multiple parties perpetuate a patent (or patents) only in one jurisdiction (1) from cases where they perpetuate patents in several jurisdictions (2).

#### 1. Infringement of a Patent Only in One Jurisdiction

First, in cases where multiple parties perpetuate a patent (or patents) infringement only in one jurisdiction, when joinder of claims against a foreign parent company and against its domestic subsidiary or agent is allowed by the court, a question arises as to whether the laws applicable to these claims would be the same or not. If the applicable laws are different, the possibility remains that decisions on each claim would not be compatible with each other.

With regard to this question, a Supreme Court case called the *Card Reader*

31) Act No. 10 of 1898. The English translation of the *Hōrei*, as amended, is found in A. Ehrenzweig/S. Ikehara/N. Jensen, *American-Japanese Private International Law* (1964), p. 115; The Japanese Annual of International Law [JAIL], No. 7 (1963), p. 20; J. Basedow/H. Baum/Y. Nishitani (eds.), *Japanese and European Private International Law in Comparative Perspective* (Mohr Siebeck, 2008), p. 421.

32) See generally, M. Dogauchi, “Historical Development of Japanese Private International Law”, in: Basedow/Baum/Nishitani, *ibid*, 27, p. 35.

33) Act No. 78 of 2006. English text is available at [www.soc.nii.ac.jp/pilaj/text/tsusokuho\\_e.htm](http://www.soc.nii.ac.jp/pilaj/text/tsusokuho_e.htm) (last visited on 6 February 2013). It is also found in: Basedow/Baum/Nishitani, *supra* note (31), pp. 405-19, as well as *JAIL*, Vol. 50 (2007), pp. 87-98. See generally, K. Takahashi, “A Major Reform of Japanese Private International Law”, *Journal of Private International Law*, Vol. 2, No. 2 (2006), 311; Y. Okuda, “Reform of Japan’s Private International Law: Act on the General Rules of the Application of Laws”, *Yearbook of Private International Law*, Vol. 8 (2006), 145; Dogauchi, *supra* note (32), pp. 51-57.

case would have some implications.<sup>34)</sup> In that case, the plaintiff (a Japanese national residing in Japan) sought an injunction and damages against the production and export of a product which the defendant (a Japanese company) produced within Japan. The plaintiff's claim was based not on the Japanese, but on the U. S. patent law, on the grounds that his American patent right had been infringed. The Supreme Court characterized the claim for injunction as the effect of a patent right, and established a choice-of-law rule relating to the effects of patent rights: "the effects of patent rights should be governed by the law of the country where the patent right in question was registered".<sup>35)</sup> On the contrary, the claim for damages was characterized as tort.

When the cases dealt with here, which concern claims against a foreign parent company and against its domestic subsidiary or agent, are analyzed according to this decision, the laws applicable to claims for an injunction would be the same. Also, the laws applicable to claims for damages could be the same in most of the cases, since under the *Tsūsoku-hō*,<sup>36)</sup> legal relations arising from torts will usually be governed by the law of the place where the results of the tort were felt,<sup>37)</sup> and in the cases here mentioned, it would be Japan with regard to both claims. The only possibility that applicable laws might be different is

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34) Supreme Court, Judgment, 26 September 2002, *Minshū* Vol. 56, No. 7, p. 1551 [Card Reader]. English text can be found in *JAIL*, No. 46 (2003), p. 168. See also, Yuko Nishitani, "Intellectual Property in Japanese Private International Law", *JAIL*, No. 48 (2005), 87, pp. 91-92.

35) Although the Court chose American law as the applicable law according to this rule, the Court excluded the application of U. S. patent law on the grounds of public policy (*ordre public*), holding that to permit such extra-territorial effects of a foreign patent right would be contrary to the principle of territoriality, and the fundamental philosophy of Japan's patent law system.

36) See generally, Toshiyuki Kono, "Critical and Comparative Analysis of the Rome II Regulation on Applicable Laws to Non-contractual Obligations and the New Private International Law in Japan – Seeking a Common Methodological Approach in Japan and Europe", in: Basedow/Baum/Nishitani, *supra* note (31), 221; Yasushi Nakanishi, "New Private International Law of Japan, Torts", *JAIL*, Vol. 50 (2007), 60.

37) However, if the occurrence of the results in that place could not normally be predicted, the applicable law will be that of the place where the tortious act took place. Article 17 of *Tsūsoku-hō*. "The formation and effect of claims arising from a tort shall be governed by the law of the place where the results of the infringing act are produced. However, if it was not foreseeable under normal circumstances that the results would be produced at that place, the law of the place where the infringing act occurred shall apply."

exceptional cases such as the *Card Reader* case where the plaintiff seeks damages on the ground of a foreign patent. Article 20 of the *Tsūsoku-hō* provides that if there is a place clearly more closely connected than those specified by this general rule, the law of that place governs instead.<sup>38)</sup> Thus, in this case, the possibility remains that whereas the law applicable to the claim against the foreign parent company should be the law of the country where the patent was registered, the law applicable to the claim against the Japanese subsidiary should be Japanese law, in particular when the plaintiff is a Japanese company.<sup>39)</sup>

## 2. Infringement of Patents in Different Jurisdictions

Second, in cases where subsidiaries or agents that belong to the same corporate group infringe corresponding IP rights in multiple countries and when Japanese courts have jurisdiction over claims against them, a question arises: can the parties choose one single law applicable to all the claims, or should the law applicable to each claim be different?

There is no provision with regard to the applicable law in matters of the IP rights in the *Tsūsoku-hō*. According to the decision in the *Card Reader* case in which the claims for damages were characterized as tort, it appears that parties are allowed to freely change the governing law by agreement after the claim has arisen according to Article 21.<sup>40)</sup> As a legislative proposal, the Transparency Proposal also allows the change of applicable law by the parties, not only with

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38) Article 20 of *Tsūsoku-hō*. "Notwithstanding the provisions of the preceding three articles, the formation and effect of claims arising from a tort shall be governed by the law of the place which is manifestly more closely connected with the tort than the place determined pursuant to the preceding three articles, considering that the parties had their habitual residence in the same jurisdiction at the time when the tort occurs, the tort constitutes a breach of obligations under a contract between the parties, or other circumstances of the case." (underline added)

39) In fact, the Tokyo Court of Appeals designated Japanese law as the law applicable to damages in the *Card Reader* case.

40) Article 21 of *Tsūsoku-hō*. "The parties to a tort may, after the tort occurred, change the law governing the formation and effect of claims arising therefrom. However, if the change of the governing law would prejudice the rights of a third party, the change may not be asserted against such third party."

regard to claims for damages but also to claims for injunction,<sup>41)</sup> considering that a settlement between the parties is allowed also in IP infringement and a choice-of-law agreement is only effective *inter partes*.<sup>42)</sup>

It is certain that this solution would contribute to the effective remedy for the patent holders by way of the simplification of the applicable law to a certain degree. However, it is not sure if this solution would contribute to the pro-innovation policy of states in the long run, since the question of whether activities in a country would constitute a patent infringement in that country would depend on the choice of parties in each concrete case. Eventually it is possible that whereas activities should be considered patent infringements under the patent law in the country where they are carried out, they would not constitute infringement by way of the applicable law chosen by the parties. This would decrease the motivation of inventors to respect the patent law and to apply for a patent in countries the law of which the parties rarely choose. The influence of choice of law by the parties on the patent pro-innovation policy should be examined more profoundly.<sup>43)</sup>

### 3. Substantive Law Problems

Finally, it should be noted that the geographical scope of the applicable patent law is important in order to examine if the patent holders can obtain effective remedies. The patent holders might seek an injunction against the defendant's activities (completely or partially) in a foreign country based on the domestic patents. This might happen when they have no patent in a foreign country where the alleged infringing activities are perpetuated, and there are

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41) Article 304 (1): "The parties to an intellectual property infringement may, after the intellectual property infringement occurred, change the law governing the formation and effect of claims arising therefrom. However, if the change of the applicable law would prejudice the rights of a third party, the change may not be asserted against such third party."

42) Chaen/Kono/Yokomizo, *supra* note (5), pp. 204-205. However, the hesitation is showed about the scope of the choice-of-law change by the parties.

43) A question also arises as to whether a cross-border injunction should be allowed according to a patent law in one country.

reasons to keep them from suing in that country.

Even under the principle of territoriality, the scope of patent law is different from country to country.<sup>44)</sup> For example, with regard to acts in multiple locations, a process cannot be infringed in the United States through use unless all of the steps are performed in the United States,<sup>45)</sup> whereas in Germany, a process patent will be infringed when a portion of an act occurs in Germany as long as the rest of the steps that are performed abroad may be attributed to the infringer in Germany.<sup>46)</sup> How is the availability of Japanese patent law for the patent holders who seek an injunction against activities abroad?

Generally speaking, the attitude of Japanese courts has been modest compared with the U. S. or German courts. For example, there was one lower court case in Japan where the issue in question was whether a process patent in Japan was infringed if one step of the process was made in a foreign country.<sup>47)</sup> The Tokyo District Court dismissed the case, holding that the process patent was not exploited in Japan in light of the principle of territoriality. Also, there have been three cases where the courts denied indirect infringements from the principle of territoriality when the activities which should be regarded as direct infringements were perpetuated in foreign countries.<sup>48)</sup> Thus, by way of the strict interpretation of the principle of territoriality, Japanese courts did not apply Japanese patent law for alleged infringing activities partially occurring in foreign countries.

This is also true in cases where a patent holder may seek an injunction in the forum against domestic activities based on a foreign patent he or she holds. In the above-mentioned *Card Reader* case, although the Supreme Court

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44) See, Alexander Peukert, "Territoriality and Extra-territoriality in Intellectual Property Law", in G. Handl/J. Zekoll/P. Zumbansen, *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization* (Nijhoff, 2012), p. 189.

45) *NTP v. Research in Motion*, 418 F. 3d1282, pp. 1317-1318 (Fed. Cir. 2005), cert. denied.

46) M. Trimble, *Global Patents* (Oxford, 2012), p. 120.

47) Tokyo District Court, Judgment, 20 September, 2001, *H. T.*, No. 1094, p. 245, *H. J.*, No. 1764, p. 112.

48) Osaka District Court, Judgment, 24 October 2000, *H. T.*, No. 1081, p. 241; Osaka District Court, Judgment, 21 December, 2000, *H. T.*, No. 1104, p. 270; Osaka High Court, Judgment, 30 August, 2001 (unpublished).

acknowledged the possibility that, under U. S. patent law, the plaintiff's claim (for active inducement of infringement) would be recognized, it excluded the application of U. S. patent law on the grounds of public policy (*ordre public*),<sup>49)</sup> holding that to permit such extra-territorial effects of a foreign patent right would be contrary to the principle of territoriality, and the fundamental philosophy of Japan's patent law system. Thus, although the Court chose U. S. patent law, it rejected its application under the principle of territoriality.

Against the strict approach of the principle of territoriality, some scholars claim that patent rights in Japan should be regarded as infringed when the "substantial activity" or a substantial part of the exploitative activities are done in Japan.<sup>50)</sup> The more liberal interpretation here mentioned seems desirable from the viewpoint of effective remedies for patent holders.<sup>51)</sup> However, it would necessarily increase the conflict of patent laws in different jurisdictions. Thus, here again, the coordination between legal orders should be considered at the stage of international jurisdiction and/or recognition and enforcement of foreign judgments in order to avoid such conflicts.

#### IV . Conclusion

This article focused on patent infringement perpetrated by multiple parties on an international scale and examined the difficulties that patent holders would meet in seeking to obtain an effective remedy, mainly in Japan, from the viewpoint of conflict of laws.

As for international jurisdiction, Japanese courts are not so attractive for patent holders because of their restrictive interpretation of subjective joinder.

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49) Article 33 of *Hōrei* [Article 42 of *Tsūsoku Hō*]: "Where a foreign law is to apply but its application would be contrary to public policy (*ordre public*), it shall not apply."

50) Hisao Shiomi, "Buntan saretā Jisshi Kōi ni taisuru Tokkyo Kansetsu Shingai Kitei no Tekiyō to Mondai Ten" [Application of provision relating to indirect infringement of patents against shared exploitation activities] *Tokkyo Kenkyū* [Patent Research], No. 41 (2006), p. 10, 14; Minoru Takeda et al., *Bijinesu Hōhō Tokkyo* [Business Process Patent] (2004), p. 515 [Naoki Matsumoto]; Dai Yokomizo, Case Note, *Jurisuto* [Jurist], No. 1322 (2006), p. 178.

51) See, Dai Yokomizo, "Intellectual Property Infringement on the Internet and Conflict of Laws", *AIPPI Journal*, Vol. 36, No. 3 (2011), p. 104, 110.



As for the choice of law, although there seems to be no great obstacle for patent holders, the restrictive interpretation of the principle of territoriality would make litigation in Japan (or the application of Japanese patent law) less attractive. In order to give patent holders effective remedies, a more extensive use of subjective joinder in international jurisdiction and a more liberal interpretation of the principle of territoriality are desirable. This is the conclusion of this article.

As has been above mentioned, the extension of Japanese courts' jurisdiction and the extension of the application of Japanese patent law would increase the conflict of jurisdictions and conflict of patent laws. In order to resolve these conflicts, the framework of coordination such as that of parallel proceedings would become more significant. Also, the possibility of cooperation among courts, in forms such as direct communication with, or requests for information from, foreign courts regarding decisions on international parallel litigation and subsequent deliberations should be examined more seriously.<sup>52)</sup>

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52) This is suggested by the Transparency proposal, article 201 (4) of which provides as follows: " In cases in the previous three Paragraphs, the court may communicate directly with, or may request information directly from, the court in the foreign country, in order to make the decision to dismiss the claim, stay the procedure or conduct the subsequent deliberations." This provision is based on Article 25(2) of the UNCITRAL International Bankruptcy Model Act.

