

ARTICLE:

**ENFORCEMENT OF FOREIGN
INTELLECTUAL PROPERTY RIGHTS IN JAPAN:
JURISDICTION AND APPLICABLE LAW**

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In international cases, it is crucial to be able to decide in which forum to sue, or to know in which jurisdiction to be sued. To calculate costs and time, the jurisdiction should be predictable, and for this purpose the jurisdictional rules should be as clear as possible. Japan has neither international conventions nor particular provisions in national law on international jurisdiction.

If the project to draft the Hague Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters¹ (hereinafter, the Hague Convention) could be successfully completed, it would represent a significant step forward for the Japanese judicial system. However, even after the ratification of the Hague Convention, national law would continue to be applied in a so-called “gray-zone” (Art. 17 of the draft of the Hague Convention). Although the current jurisdictional rules will become less important, they will remain as established rules of jurisdiction.

The current jurisdictional rules, which have been developed as case law, are described in section (1). Then in section (2) we examine jurisdiction for international IP cases under the current system, in comparison to the proposed jurisdiction rules in the Hague Convention pertinent to IP. Also the issue of applicable law should be considered, although in Japanese law the choice-of-law rules are totally separate from the jurisdictional rules. In section (3) we consider how the structure of jurisdictional rules will be affected by the development of the Internet.

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¹ <http://www.hcch.net/e/workprog/jdgm.html>

1. RULES OF THE JAPANESE COURTS ON INTERNATIONAL JURISDICTION

As stated above, the Japanese court is of the opinion that there is no black letter law on international jurisdiction. It must therefore be confirmed according to *Jori*, whether a Japanese court has jurisdiction over a case. *Jori* is the norm the judge would create if he or she were to act as legislator.² This notion is quite popular in the fields of international private law and international civil procedure for filling lacuna, since there are only a small number of provisions in these fields, while in other fields it is rarely used.

According to a judgment of the Japanese Supreme Court, the criteria of *Jori* are fairness between parties and a just and speedy trial.³ Surprisingly, in the *Malaysian Airline* case⁴ (in which a Japanese national was killed by the crash of an airplane in Malaysia), the Supreme Court said that these criteria are fulfilled when one of the jurisdictional grounds stipulated in the Japanese Code of Civil Procedure is given. In this case, the jurisdiction of the Japanese court was confirmed, since the airline had an establishment in Tokyo, although this office had nothing to do with the domestic flight in Malaysia.

This judgment was not well-received by legal commentators.⁵ Because there was no substantial contact between the case and the forum, it was nothing but a blind application of the law. Moreover, not all jurisdictional grounds in the Code of Civil Procedure are adequate for international cases, since there may be exorbitant jurisdiction (presence of property, Art. 5, no.4, C.C.P.) or they may lead to unfair consequences (joinder of claims, Art. 7 C.C.P.).

Later, some inferior courts tried to modify the judgment of the *Malaysian Airline* case by adding the phrase, "unless special circumstances are given".⁶ Although what can be considered to be special circumstances differs in each case, the test for international jurisdiction had been established in case law.

² Cf. *Dajokan Fukoku* No.10, 1875.

³ Judgment on October 16th 1981, *Minshu* Vol.35, No.7.p1224

⁴ *Supra*, note 3.

⁵ Ryoichi Yamada, *Minshoho Zasshi*, Vol.88. No.1, p.100.

⁶ Judgment of the Tokyo District Court on September 27th 1982, *Hanreijihō* No. 1075, p.137; judgment of the Tokyo District Court on March 27th 1984, *Hanreijihō* No.1113, p.26; judgment of the Tokyo District Court on May 8th 1987, *Hanreijihō* No. 1232, p.40; judgment of the Tokyo District Court, June 1st 1987, *Hanrei Taimuzu* No. 703, p.240.

This test thereby consists of the following three steps:

- (1) *Jori*;
- (2) Jurisdictional ground in the Code of Civil Procedure;
- (3) Special circumstances.

In 1996, the Supreme Court adopted this “special circumstances test”,⁷ although this judgment was not free from criticism either, because the Court skipped the second part of the test. Since step 1 does not play a substantial role in determining jurisdiction, step 2 is very important to ensure predictability. If it were possible to skip this step, only the “special circumstances test” would remain. The “special circumstances test” would thus become the general rule on jurisdiction rather than an exceptional test, and the consequences would be greater unpredictability.

Therefore, the success of the Hague Convention and its ratification would be very welcome, since the scope of the “special circumstances test” would be limited to jurisdictions in the gray zone of the Convention.

2. JURISDICTION OVER I. P. CASES, INCLUDING SOME COMMENTS ON THE HAGUE CONVENTION

The case law on foreign IP under the current system is very scarce in Japan. The judgment of the Tokyo District court of January 28th, 1999 offers rare material explicitly discussing this matter.⁸ In this case, plaintiff X, a Japanese corporation and copyright owner, was seeking:

1. A declaratory judgment which confirmed that the plaintiff had the copyright and that the defendant Y (the president of Thai corporation A) was not entitled to use it;
2. an injunction which prohibited Y from announcing that Y was the exclusive copyright holder outside of Japan; and
3. the recovery of damages caused by tort.

Plaintiff X contended that the jurisdiction of the Japanese court should be confirmed either as the place of tort or the place of the presence of property. The Tokyo District Court denied both requests. Its reasoning can be summarized as follows:

- 1) Even in cases where the defendant has no domicile in Japan, the jurisdiction of the Japanese court could eventually be confirmed, but it should be determined by *Jori*. When one of the jurisdictional grounds prescribed in the code of Civil Procedure is given, it is in principle appropriate to subject the defendant to the

⁷ Judgment on November 11th 1996, *Minshu* Vol.51, No.10, p.4055.

⁸ *Hanreijihō*, No.1681, p.147.

Japanese courts, unless there are special circumstances which may hamper fairness between parties or a just and speedy trial.

- 2) All important acts were conducted outside of Japan.
- 3) Even if the work was created in Japan, the permissibility of using the work in a country outside of Japan is based on the copyright law of that country. The presence of the right is not therefore given in Japan.
- 4) To force the defendant to appear in front of the Japanese court would hamper both the fairness between the parties and the just and speedy trial requirement. Therefore a special circumstance denying the jurisdiction of Japanese court is given in this case.

This judgment has theoretical weakness: after mentioning *Jori* (step 1), the Court denied both jurisdictional grounds, tort and the presence of property, referring to the Code of Civil Procedure (step 2). Since the “special circumstances test” (step 3) was originally designed for exceptional situations to reverse the results of step 2, the Court should have examined whether there were circumstances in this case, which may exceptionally *confirm* the jurisdiction.

In the second instance, the plaintiff changed his strategy and filed a claim seeking for a negative declaratory judgment that Y did not have copyright in Japan. For this claim, the Tokyo High Court confirmed jurisdiction of the Japanese court on the basis of presence of property.⁹

As the Plaintiff contended, it should be examined whether the place of tort and place of presence of property are appropriate jurisdictional grounds in IP cases. In addition, joinder of claims should be analyzed in the same context.

Following, I would like to analyze the equivalent provisions in the Draft of the Hague Convention.

A. Place of tort

(1) As a jurisdictional ground, place of tort has been accepted by both Japanese courts and commentators¹⁰ (and also for product liability cases¹¹). Because it is the forum friendly to the damaged party and collecting evidence there is easier than in any other jurisdiction, a speedy trial can be

⁹ This judgment is not yet published.

¹⁰ Sueo Ikehara, *Kokusaiteki Saiban Kankatsuken* (International Jurisdiction), in Suzuki/Mikaduki (ed.) *Shin Jitsumu Minjisosho Koza* Vol. 7 (1982) p.31.

¹¹ Judgment of the Tokyo District Court on March 1st 1991, *Hanreijiho* No.1390, p.98. (*cf.* Art. 5, no.9 C.C.P.)

expected. This is subject to the provisos that the appearance of the defendant is not unfair and that the public policy of the state is closely connected with the litigation. Place of tort includes the place where the tortious act was conducted and the place where its result occurred. In order to contend that the place of tort is Japan, the plaintiff should prove to a certain extent either that the tortious act was conducted there or that damage had, in fact, occurred there.¹²

Proof of jurisdictional ground is required to prevent the misuse of judicial systems. However, if we strictly stick to the territoriality of IP, as we see later, Japanese law is automatically designated as the applicable law in the case of the infringement of foreign IP in Japan. Unless this IP is protected by the Japanese law, there is no room to confirm the infringement of foreign IP in Japan at all. Then it would also be impossible to prove, even to a limited extent, that the tort was committed in Japan. In this case, tort cannot play its role as jurisdictional ground. Hence, logically speaking, to commence litigation in Japan as the place of tort, it is necessary to admit the applicability of foreign IP law.

(2) The following thoughts are presented under the condition that foreign IP law can be applied. Manufacturing or sale of goods in Japan, or its import into Japan, using a technique patented in a foreign country is lawful, unless there are circumstances implying an intention to infringe the foreign IP, *e.g.*, through its export into the country of the foreign IP. Therefore, on the level of jurisdiction, the plaintiff should prove to some extent such circumstances, in addition to such an act.

Article 10 (1)(a) of the Hague Convention adopts a similar rule. When this provision applies, other procedural matters will be determined by *lex fori*. Then the same rule as mentioned above would apply: the plaintiff will be required to prove jurisdictional grounds to some extent that the tortious act occurred in Japan. Unless foreign IP law is applicable, this rule of the Convention will not work.

Even if foreign law is applicable, the plaintiff will have to prove additional circumstances which imply infringement. As for Art. 10 (1)(b), regarding the place of the tortious result, whether the place where only economic loss occurred is such a place is a question that would need to be resolved. A typical case would be: X, a Japanese corporation, which has an American patent and whose profit is heavily dependent on the export of its product manufactured using the American patent, sues in Japan Y, a corporation of country A, with the reasoning that Y infringes X's American patent through its manufacturing in country A, and that X suffered huge economic loss in Japan. Can the Japanese court exercise its jurisdiction over this case? A judgment of the Tokyo District Court once stated that a decrease of the

¹² Hiroshi Takahashi, in “*Kaikakuki no Minji Tetsudukiho*”, p. 312.

profit of the principal office is not damage sufficient for jurisdictional grounds.¹³

If economic loss is considered as “injury” in the sense of the Hague Convention, it may lead to a limitless extension of jurisdictional grounds. Therefore pure economic loss should not be included.¹⁴ The Hague Convention clearly excludes economic loss from “injury” only when it is caused by anti-trust violations.¹⁵ Therefore, for IP cases only article 10 (1)(b) of the Hague Convention is available to exclude economic loss. If the defendant establishes that “the person claimed to be responsible could not reasonably have foreseen that the act or omission could result in an injury of the same nature in that State,” there is no jurisdiction as “injury.” Hence the point here is whether the economic loss of X is foreseeable to Y or not. It would be impossible to expect Y to know the balance sheet of X. Moreover, the place where economic loss occurred will often be identical to the place of plaintiff’s domicile. It would be too unfair.

In my view, therefore, economic loss should not be a jurisdictional ground. To exclude this, Art. 10 (1)(b) is not sufficient, as long as it depends on “foreseeability,” since to prove it is not always easy. The conventional jurisdictional ground for torts should apply to infringement of IP and also to injunctions. Since injunctions should be considered as a means of preventing damage, the forum for infringement and that for injunction should be the same. The Hague Convention Art. 10 (3) admits jurisdiction of the place of tort over injunction. This solution seems desirable.

B. The place of presence

According to the leading opinion, when the objective of a plaintiff’s claim is particular property or rights in Japan that belongs to the defendant, Japan has jurisdiction over the claim as the place of its presence. The question is, whether Japan should have jurisdiction over the plaintiff’s claim as the place of presence, even if the claim has nothing to do with the defendant’s particular property or right in Japan? The majority is inclined to affirm this,¹⁶ when the property would sufficiently cover the claim and has been located in Japan for a certain length of time.

What would be the consequence if we apply this theory to IP? As long as there is no physical presence, in order to establish the place of presence of

¹³ Judgment of the Tokyo District Court on February 15th 1984, *Hanrei Taimuzu* No.525, p.132.

¹⁴ Masato Dogauchi, *Jurisuto*, No.808 (1984), p.110.

¹⁵ Art. 10, (2).

¹⁶ Satoshi Watanabe, in Kitana/Matsuoka/Watanabe, *Kokusai Shiho Gairon* 3rd ed. (1998), p.255.

a right, some place such as the place of registration or the place of the defendant's nationality or domicile must be deemed as the place of presence.

The above mentioned judgment of the Tokyo District Court denied the jurisdiction of the Japanese court for the negative declaratory judgment that the defendant has no right to use the copyright in Thailand. On the other hand, the Tokyo High Court affirmed it for the negative declaratory judgment that the defendant had no copyright in Japan. These two judgments show that the Japanese court understands the place of presence according to the territoriality of IP; the place of presence of the right is determined, dependent on in which country the plaintiff tries to materialize his IP. If we follow this opinion, the place of presence cannot work as a jurisdictional ground for foreign IP cases, since the claim in the Japanese court will be always dismissed due to the lack of jurisdiction.

In my view, the place of presence as jurisdictional ground should be strictly limited to goods and be limited to claims whose direct objective is goods located in that country, such as the delivery of goods. This jurisdictional ground is listed on the blacklist of the Hague Convention (Art. 18). Again, this seems a desirable solution.

C. Joinder of claims

A typical case of joinder of claims is that the same person infringed a Japanese patent and a patent of country A based on the same invention. The plaintiff sues him in Japan, taking both infringements as causes of action. The leading opinion says that joinder of claims can be a jurisdictional ground for international cases, as it is convenient for the plaintiff and not too disadvantageous for the defendant, since he must appear in at least one court anyway.¹⁷ If we apply this to IP, The Japanese court would then exercise its jurisdiction over the patent of country A and apply the law of country A.

To protect the defendant, both claims must be substantially connected (Art. 18 (1) of the Hague Convention). Even when this is the case, language differences in patent claims and the independence of each patent ensure that there is no guarantee that the court's decision will be identical for both patents. If it differs, there is less advantage in allowing the plaintiff to sue the defendant for both of the patents in one jurisdiction.

As for multiple defendants, the leading opinion is inclined to deny joinder on jurisdictional grounds, due to the excessive burden on defendants not habitually resident in the forum state.¹⁸ There are positive and negative

¹⁷ Ikehara, *supra* note 10, p.35.

¹⁸ *Id.*

judgments on this point in Japanese court practice.¹⁹ When a close connection between defendants and a substantial connection between the dispute and the forum state exist, as the Draft of the Hague Convention Art.14 requires, multiple defendants seems acceptable.

It's important to require a "substantial connection" between claims or defendants on the level of jurisdiction, in order to reach the same conclusion for these claims or defendants and to avoid inconsistent judgments in different forums. However, when the applicable law to each IP is different due to its territoriality, the goal of reaching the same conclusion cannot be guaranteed. Therefore, even if the Hague Convention offers reasonable jurisdiction, its function will not be better than that of the current system.

D. General jurisdictional ground

Under the current Japanese law, the most basic jurisdictional ground is the domicile or principal place of business of the defendant. Habitual residence is not known in the Japanese law except in international private law. We saw above that tort as a jurisdictional ground (the most popular jurisdictional ground for infringement) would not work in IP cases due to the territoriality of IP; therefore, domicile and principal place of business will play more important roles than in other types of litigation. Thus, when it is included in the Hague Convention [Art. 3 (1)], a clear definition is desirable to avoid diversified interpretation among member states.

E. Validity of IP, especially patents

If an action on infringement of a patent registered in country A is brought in another country B, can the court also decide the validity of a patent? According to the leading opinion, the country where the IP was registered has jurisdiction over the validity or nullity of IP. It can be understood as exclusive jurisdiction. I do not see any particular reason to object to this idea.²⁰

F. Applicable Law and Jurisdiction

The judgment of the Tokyo District Court in 1953 was the first case on foreign patent.²¹ The plaintiff was seeking compensation for damage caused

¹⁹ Judgment of the Tokyo District Court on May 8th 1987, *Hanreijiho* No.1232, p. 40 (negative), Judgment of the Tokyo District Court on July 28th 1987, *Hanreijiho* No.1275, p.77 (positive).

²⁰ Masato Dogauchi, in *Chitekizaisan Funso to Kokusaishiho jo no Kadai ni kansuru Chosa Kenkyu* (2000), p.50); Document submitted by the delegation of the USA, Work Doc. No.97E (1998).

²¹ Judgment on June 12th 1953, *Kaminshu* Vol.4, No.6, p.847.

by the infringement of a Manchurian patent in Manchuria; Japan was the defendant's place of domicile. Without examining the jurisdiction, the court applied both Manchurian Law and Japanese Law, through Art. 11 *Horei*, Japanese private international law, and dismissed the claim.

The second case was the judgment of the Tokyo District court in 1999,²² and, in the second instance, the Tokyo High Court in 2000.²³ In this case, jurisdiction was not at issue, because both parties were Japanese nationals and the defendant had his domicile in Japan. The plaintiff contended that his American patent was infringed and that an injunction and compensation should be ordered. The Tokyo District Court qualified an injunction as an effect of patent, not as tort. It therefore applied American patent law, but dismissed the claim on the grounds that an extraterritorial injunction would violate Japanese public policy, because Japanese law follows the principle of territoriality of patent and does not recognize extraterritorial applications. The Court qualified compensation as tort, applied the Japanese law and dismissed the claim, since American patents are not protected in Japan and the defendant's act was lawful. The Tokyo High Court dismissed the appeal under a different reasoning: Due to the territoriality of patent, injunctions based on foreign patents are out of the question, unless there is a special provision or international agreement. There is simply no room to determine the applicable law. Compensation was treated in the same way as it was by the Tokyo District Court. As I noted above, if we stick to the territoriality of IP and automatically apply the law where IP is supposed to have been infringed, it will kill "tort" as a jurisdictional ground.

The place of presence of copyright is, according to the Japanese court and the leading opinion,²⁴ where the protection of copyright is sought. If it applies also to the patent or trademark, it should be the place where the protection of patent or trademark is sought, not the place of registration. As far as foreign patents or trademarks, the place of presence does not work as jurisdictional ground, since there is no protected right there.

Joinder of claims and multiple defendants can therefore function as jurisdictional grounds only when jurisdiction is based on the domicile or the principal place of business of a defendant. Even in this case, the same decision for these claims cannot be expected in each instance, due to differences in applicable laws.

Thus, as long as strict territoriality applies, the list of available jurisdictional grounds becomes very short and the function of international litigation will be limited. In this sense, the success of the Hague Convention

²² Judgment on April 22nd 1999, *Hanrei Taimuzu*, No.1006, p.257.

²³ Not yet published. See *Heisei 11 nendo Juyo Hanrei Kaisetsu*, p.299.

²⁴ Nobuo Monya, in Sawaki/Akiba (ed.) *Kokusaishiho no Soten* new ed. (1996) p. 25.

project will be restricted by the territoriality of IP. However, since this principle is closely connected to the industrial policy of each country, it would be difficult to abandon it, especially for industries of the old economy. In the new world of cyberspace, however, the territoriality of IP should be reconsidered. As long as IP is circulating on the Internet, only party autonomy provides a reasonable basis for finding the applicable law. For cases where the parties fail to agree on the applicable law, the substantive rules for resolving IP conflicts on the Internet should be drafted by an international body.

3. JURISDICTIONAL RULES IN THE INTERNET ERA

We saw above that conventional jurisdictional rules do not function well for IP cases, due to the territoriality of IP. Place of tort, for example, can provide jurisdiction only when foreign IP law is applicable. In this sense, the success of the Hague Convention project is restricted by the territoriality of IP.

Besides this limitation, there is another weakness, namely the development of the Internet and its impact upon IP. As demonstrated, the jurisdictional rules for international cases in Japanese Law and in the Hague Convention are designed in the framework of the old economy. Manufacturing, export, import or sales of goods which may cause infringement of IP all involve the physical transfer of goods, and are therefore easy to trace. Yet as the Internet develops, many more elements of a transaction are being made digitally; and infringements can also occur digitally.

Consider this simple case: If a person X uploaded a trademark to his server and it can be downloaded and viewed in country A, in which the very similar trademark of Y is already registered, the uploading location can be considered as the place of tortious act. Country A can be considered as the place where the injury occurred. Thus the conventional jurisdictional rule on tort can apply to this case.²⁵

But we have to remember that international jurisdiction is based upon the idea that the world's judicial system consists of a number of geographically divided national judicial systems. The purpose of a discussion on jurisdiction is to find the most suitable forum among these judicial systems. One focuses on the relationship between a country and the case to find such a forum.

If this geographical basis is lost, the conventional rule loses its significance. I would contend that this is what is happening now. In the simple case described above, the premise is that people use a PC, that the place where the server is located and the place of business are identical, and that

²⁵ See Doguchi, *supra* note 20.

downloading software or information is crucial for the business. But this premise is being lost. With the development of mobile terminals for Internet access, we can download information everywhere; the place of downloading is becoming meaningless.

Further, in the business model of application service providers (ASPs), software is not even downloaded—the user accesses software services that remain on the server. Uploading/downloading of software from/to a server is becoming less important. The server's location has less connection with the place of business, since it can easily be changed (for either economic or legal reasons) from one country to another.

Jurisdiction should be given to the places where the plaintiff can either obtain monetary compensation or stop the harmful acts of the defendant. But in the era of the Internet, the system of international jurisdiction based on national legal systems (and especially the concept of tort as the jurisdictional ground) will not work anymore. Only the most basic jurisdiction, domicile or principal place of business will survive. In most cases, in which both parties are ordinary business entities, this jurisdictional ground should suffice. However even this jurisdictional ground becomes meaningless when, for instance, a few individuals in different countries get acquainted via Internet "chat-rooms," establish a "cyber company," and start offering ASP business to mobile users infringing many patents, using a server in one country for a while before relocating to another country.

The arrival of the Internet era, where frontiers disappear, suggests that for IP—which is intangible and thus well-suited to the structure of the Internet—a totally new system should be created. Perhaps what we should be looking to create is a "search system," to trace individuals or companies who infringe IP. Since this system would be very expensive, a fund should be raised by all EC-players who obtain a dot-com name. This will be an important part of the international enforcement system in the next century.

SUMMARY

The project of the Hague Convention is desirable for Japan, since it will create more predictable jurisdictional rules. However, due to the territoriality of IP, the expected function of the Convention will be restricted. In the Internet era, a new search system to trace harmful acts should be established as a part of international enforcement system.