13 Research and Study on Issues Related to Intellectual Property Disputes and Private International Law

International civil disputes over intellectual property (IP) rights are now expected to increase more and more because of the growing prevalence of the Internet. This raises the need for discussion of issues and solutions related to such matter in terms of private international law. This study ——with issues on IP right infringements on the Internet in mind —— first surveys the characteristics of IP infringement litigation and the current status of international IP protection; then, it conducts comparative analysis of legal systems, especially those concerning patent rights and copyrights, of the United States, the United Kingdom, Germany and Japan in respect of the issues of international jurisdiction and applicable laws concerning IP right infringements. Specifically, in cases where the validity of right is challenged in infringement litigation concerning patents, etc., there is a conflict of opinions as to whether the judgement on validity should be made by a court of the country in which the right is registered, or by a court before which the infringement litigation is raised. It is a great future challenge to conduct examination on private international law issues related to IP right infringements on the Internet by also considering the ways of prevention. This study places particular emphasis on the reviewing of the Draft Hague Convention, which will be of great importance in the future in deliberating the IP right issues from the perspective of private international law.

I Defining the Problem

1 The Characteristics of Intellectual Property Right Infringement Litigation

Intellectual property (IP) right infringements may generally be regarded as torts, and applicable laws for general torts are in a trend to allow more flexible application in the U.S., Europe and Japan.

However, because IP rights have the nature to be dependent on the territory, the subject of IP right infringements must be studied by comparatively analyzing laws of each country, sufficiently considering the characteristics pertaining to the territoriality. Nowadays, the conventional theory that litigation over an IP right infringement should exclusively belong to the country where the right was granted, has been overcome, and litigation is coming to be approved in other places, such as the country in which the defendant has his/her habitual residence. Nonetheless, when the defendant makes a plea over the validity of an IP right, particularly an industrial property right like a patent right and a trademark right, there is still room for discussion over whether a court can be given an authority to judge such matter and what requirements should be fulfilled for approving such authority(*1).

It is also a fact that, from the perspective of the development of international markets or practical business activities exploiting IP rights, mere comprehension of the territoriality of IP rights by rule may cause excess or insufficient protection of IP rights. Also, the questions of whether the characteristics based on the territoriality of IP rights can be directly applied when there is an IP right infringement on the Internet, and what restrictions should be imposed considering the current status of international IP right protection are important issues that require deliberation. These issues are so significant because the concept of national borders hardly has any meaning on the Internet.

2 The Current State of International Protection of Intellectual Property Rights

Intellectual property(IP) rights are rights for protecting intangible objects such as inventions, devices, designs and copyrighted works, which are created as a result of the intellectual activities of the right holders. One of the natures of IP rights is that anyone can use them anywhere and at anytime once their contents have become known. For this reason, various conventions aimed at unifying the related laws for international protection had been concluded in the area of IP rights from a relatively early stage. Among these conventions, the most fundamental ones are the Paris Convention for the Protection of Industrial Property (hereinafter referred to as the Paris Convention) concluded in 1883 and the Berne Convention for the Protection of Literary and Artistic Works (hereinafter referred to as the Berne Convention) concluded in 1886. The most important principle in these

(*1) See II 4 of this paper.

conventions is the principle of national treatment. In European countries such as Germany, there is a prevailing opinion that the principle of national treatment logically includes a principle based on the law of the country which provides protection to those rights(*2). In a theoretical sense, however, the principle of national treatment should be regarded as a principle based on alien law, and there should arise the question of whether or not such a principle can logically and necessarily include the principle of conflicting laws that all and various issued of IP rights — not only the establishment, validity and scope of a right but also issues over the exploitation and infringement of a right — should be basically governed by the law of the country which provides protection to those rights.

The way in which the territoriality of IP rights is viewed also deeply affects how those basic conventions are interpreted. In order to find out each country's understanding of such territoriality, it is necessary to study the legislation, judicial precedents, legal theories, etc. in each country. For example, in the field of copyrights, there are differences in opinions particularly concerning the interpretation of the second sentence of Article 5(2).

As a result of the Uruguay Round of GATT covering new areas such as IP rights, which was originally launched in an attempt to find a breakthrough in the conflict between advanced countries and developing countries observed on occasions such as the Paris Convention amendment conference, the Marrakesh Agreements Establishing the World Trade Organization (WTO) came into effect through ratification by eighty countries, and has subsequently been increasing the number of its member countries. One of its annex agreements, the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as the TRIPs Agreement), has not only expanded the scope of IP right protection, but has also substantially raised the international standards of IP right protection. If a member country violates the TRIPs Agreement, punitive measures can be taken against that country under the Annex II procedure, by which it is possible to compel execution of the TRIPs Agreement indirectly. Thus, it should be admitted that the international protection of IP rights has been greatly advanced due to this Agreement. If the TRIPs Agreement is implemented, as planned, by its member countries and thereby provides a level playing ground for IP right-related competition, the conventional idea of the territoriality principle, which has solid respect for national sovereignty as far as the matters prescribed in the TRIPs Agreement are concerned, will be significantly restricted(*3). It is expected that the significance and functions of the territoriality principle are going to change to a large extent under the TRIPs Agreement; therefore, it is desirable to take this point into account in future studies.

Meanwhile, at the Hague Conference on Private International Law, the preliminary draft of the "Convention on Jurisdiction and Foreign Judgements in Civil and Commercial Matters" (hereinafter referred to as the Draft Hague Convention) are now being reviewed. This Draft is also expected to become an important material for the analysis of IP right issues in Japan and will be discussed at full length in Chapter V.

3 Issues Related to Intellectual Property Right Infringements on the Internet

The Internet has come to be widely used at an explosive speed with the development of various technologies, such as computers, optical communications and digital technologies, as its driving force. It has remarkably grown as a means not only of information transfer but also of business transactions and negotiations. If a user has portable equipment such as a PC, he/she cannot only make access to information, but also send his/her own information and ideas via the Internet. Therefore, when a digitized copyrighted work, whose quality does not deteriorate from repeated downloading, is distributed over the Internet, it sometimes causes problems relating to copyrights or neighboring rights. The Internet is giving rise to not only copyright-related issues, but also issues related to various IP rights. One of the most notable of such issues is issue concerning domain names and trademarks (*4).

Due to the development and proliferation of

(*2) See Shoichi Kidana, "Kokusai-Kogyo-Shoyuken-Ho No Kenkyu (The Study of International Industrial Property Laws)", Nihon Hyoronsha, 1989 (hereinafter cited as the Kidana Study), pp. 69-.

(*3) See Hanns Ullrich, "Technology According to TRIPs: Principles and Problems", K.F. Beier and G.Schricker (Eds.), From GATT to TRIPs (1996), p.381 ff.

(*4) In Germany, IP right disputes related to the Internet, so far, all concern trademarks. Most judicial precedents are on the relationship between trademarks and domain names. Thus, the Max Planck Institute mainly studies this issue and does not seem to have started study related to other IP rights (from a hearing conducted at the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law by Shoichi Kidana and Nobuhide Otomo on Nov. 17, 1999).

technology such as e-commerce and electronic money, legal problems have come to be observed not only in cyber space but also in the real world. With regard to this field of technology, studies have been started for establishing a law on e-commerce. Sometimes, problems concerning patents such as software patents and patents on encryption occur in relation to this field(*5).

Roughly speaking, there are two approaches for discussing the issues of jurisdiction and applicable law concerning IP right infringements on the Internet; the first one is to view Internet-related problems merely as extreme forms of conventional problems that had been caused by telephone, fax, broadcasting, etc., and not as unprecedented peculiar issues, considering that it would be sufficient to deal with such issues according to principles that has been established so far.

The second approach takes a contrastive view that such Internet-related problems are utterly new types of issues or ones to which conventional rules cannot be directly applied, and thus, these problems should be resolved by establishing new rules for overall or at least partial issues.

From the viewpoint that emphasizes the interpretation of law, the starting point should be the first approach. It seems indispensable to investigate the problems caused by the Internet by considering them as problems to which conventionally-established rules can be applied, as much as possible, rather than regarding as problems which have quite a different nature from conventional ones. When taking into account the need for forming an international consensus, it would also be appropriate to start the study based on conventional rules and principles that have been formed through time by enduring various trials. However, it would be insufficient in terms of creating reasonable rules unless the second approach was also taken into consideration. That is to say, in order to work out a reasonable solution, the appropriate policy should be one that will adopt the first approach as a starting point while always keeping the second approach in mind, and will try to strike a right balance between various interests.

II International Jurisdiction in Intellectual Property Right Infringement Litigation

1 The United States

Cases treating the very validity of U.S. patent rights or U.S. copyrights belong to a federal court as exclusive jurisdiction. As for infringement litigation based on foreign patent rights or foreign copyrights, a federal court is given jurisdiction if the nationality or the state registered as domicile of each party concerned differs from one another, though the issue is not a federal matter.

It became a rule that a state court assumes a wide range of personal jurisdiction based on "minimum contact."

As for the personal jurisdiction of a federal court, the jurisdiction rules of states can be appropriated; moreover, the jurisdiction is authorized based on an individual federal law, and federal courts are authorized to have personal jurisdiction over any holder of a U.S. patent living in a foreign country. According to the Federal Rules of Civil Procedure, the jurisdiction can be authorized if there is "minimum contact" between the whole United States and a defendant who is not subject to the personal jurisdiction of any state.

The practice for U.S. courts to examine and make decisions on cases related to foreign patent rights was rather strongly supported in order to give convenience to the parties concerned, but recently there emerged a noticeable trend in which well-advised actions have been taken against such cases. It is said that the trend reflects a sense of apprehension that such practices might constitute interference with the acts of the State of a foreign country. However, there is also criticism against this new trend.

On the other hand, foreign copyrights are sanctioned without government involvement and without undergoing any formalities; thus, there are prevailing theories and judicial precedents that support examination and judgement on foreign copyrights by a U.S. court. However, there is also criticism against this view.

2 The United Kingdom

The United Kingdom adopts different rules of international jurisdiction for cases related to regions within the EU and outside the EU,

(*5) This issue is discussed in Hidetaka Aizawa (Author/Ed.) "Denshi Manee To Tokkyo-Ho (Electronic Money and the Patent Law)", Kobundo, 1999. For e-commerce, see D. Campbell (Ed.), "Law of International On-Line Business", 1998; M.Chissick & A.Kelman, "Electronic Commerce: Law and Practice", 1999; S.York & K.Chia, "E-Commerce: A Guide to the Law of Electronic Business", 1999; M.Lehman, "Rechtsgeschäfte im Netz-Electronic Commerce", 1999, etc.

respectively. Although each rule in itself resembles each other in terms of the habitual residence of a defendant, the place of a tort, the venue of a co-defendant, etc., there are some differences between their details.

The country follows the Brussels-Lugano Convention when handling cases within the region of the EU. That is to say, litigation over the validity of patent rights, etc. belongs to the exclusive jurisdiction of the country in which the right is registered (hereinafter referred to as the country of registration), but, as a generalization, infringement litigation is not subject to the exclusive jurisdiction. There is dispute over the case where a plea is made for invalidation in infringement litigation. In addition, when identical cases happen to be in a state of pendency in two or more courts, a right of priority is given to the case which has been pending earlier than the others.

The country complies with the traditional rule of jurisdiction in cases related to the regions outside the EU. Although jurisdiction is approved depending on the whereabouts of a defendant or his/her assets, the discretion of jurisdiction is left to the judge. Moreover, forum non conveniens is approved, while the legal principle is not approved inside the EU. That is to say, when another appropriate court has jurisdiction over the case and it will be suitable for the interest of the parties concerned as well as for the purpose of justice to conduct judicial procedures for the case in that court, the court before which litigation has been raised can allow suspension of judicial procedures at its own discretion. Furthermore, it is interpreted that a court may issue an order to forbid the parties concerned in litigation to file another lawsuit as a plaintiff or make it pending in a foreign country (the foreign - lawsuit proscription system); but British courts seem careful in putting the system into motion.

The United Kingdom has not been active in executing jurisdiction over foreign IP rights in both cases related to regions outside the EU and those inside; however, there is argument over the need for British courts to make decisions on infringements of foreign IP rights, as some European countries such as Holland and Finland, are taking positive actions.

3 Germany

The national laws of Germany indicate that infringement litigation is judged under jurisdiction of ordinary courts; on the other hand, patent courts have exclusive subject matter jurisdiction over disputes on the establishment or validity / invalidity of patent rights, etc. Therefore, if a plea for invalidation is made in infringement litigation pending before an ordinary court, the litigation can be called off.

Nowadays, neither judicial precedents nor theories deny international jurisdiction based on the territoriality principle for cases of either demanding compensation for damage caused by an infringement of a foreign IP right or requiring injunction against an act of infringement in a foreign country. Likewise, there is no support for the view that international jurisdiction over infringement litigation itself should be restricted because an infringement court does not make judgement on the validity or invalidity when a plea is made for invalidation in infringement litigation.

International IP right litigation is divided into two types in accordance with international jurisdiction. The first type is litigation raised when a right protected by a foreign country is infringed overseas; and, the second type is litigation raised when a German IP right is infringed by a defendant living in a foreign country, which is a case often observed in international copyright infringement litigation. In the former type of litigation, the reason for Germany's jurisdiction is that the general forum is in Germany because the domicile or the headquarters of the defendant is located in Germany in all of such cases. On the other hand, in the latter type of litigation where the domicile, etc. of the defendant is not located in Germany, the reason for Germany's jurisdiction is that a tort was conducted inside Germany; thus, the existence of a domestically-conducted tort would be the requirement. For example, in an international copyright infringement litigation, an infringement of a distribution right by an act of domestic distribution can be sanctioned, while an act such as reproduction or exhibition in a foreign country is denied of constituting an act of domestic tort. However, there are some judicial precedents which suggest that constitution of a domestic act is recognized also for an act of reproduction in a foreign country.

4 Japan

In Japanese laws, there is no stipulation regarding international jurisdiction, but a certain discipline is provided by case law. According to case law, if domestic jurisdiction is sanctioned according to provisions concerning domestic territorial jurisdiction prescribed in the Code of Civil Procedure within a framework that judgement should be made reasonably based on a philosophy of achieving fairness among the parties concerned and making court trials appropriate and prompt, such jurisdiction is

considered reasonable unless there is any specific circumstance(*6). International jurisdiction over a case involving an IP right infringement is also judged by this general rule.

In order to inquire into international jurisdiction over IP right infringements, which have not been subject to much discussion yet in Japan, provisions in the Draft Hague Convention (See Chapter V.) will be discussed.

In Japan, it is also considered appropriate that, with regard to the litigation on the validity /invalidity of patent rights, etc., exclusive jurisdiction should be sanctioned only to the country of registration,.

As for infringement litigation concerning patent rights, etc., the following three options can be conceived: (A) exclusive jurisdiction of the country of registration, (B) jurisdiction of the country where the general forum for the defendant is located or where the tort was conducted (under this jurisdiction, a court is allowed to make a decision on the validity/ invalidity of a right concerned in the litigation in question as being applicable only to the parties concerned in the litigation), and (C) jurisdiction of the location where the general forum for the defendant is situated or the country where the tort was conducted (the right in question is regarded as being valid). As to the choice between A and B, it seems reasonable to select B, because (1) the public interest of the country of registration will only be harmed to a small extent if the decision on the validity/invalidity of the right is applicable only to the parties concerned and (2) it is inconvenient for a defendant who has no relation with the country of registration apart from that registration if infringement litigation takes place in the country of registration. Option C may also be selected if the granting of patent rights, etc. is considered as an act strongly involving public authority that is conducted within the territory; this issue should be discussed immediately.

III Applicable Laws Concerning IP Right Infringements

1 The United States

The United States approves extra-territorial application of its intellectual property laws under certain conditions if an applicable law is needed for handling a case of an IP right infringement as a kind of external affair. Therefore, it is necessary to first judge what act a domestic intellectual property law should be applied to, as well as, what act a foreign intellectual property law should be applied to. The rules to be observed vary according to the types of right, namely, patent right, copyright or trademark. As for trademarks, direct application of U.S. laws is approved even if a direct infringement action is made outside the U.S., as long as such an infringement has an effect on U. S. trade. In contrast, extra - territorial application of laws related to patent rights and copyrights is approved against an act of indirect infringement, on the condition that an act of direct infringement is made inside the U.S. When an appeal is made that a foreign intellectual property right is infringed, the U.S. case law handles the case as a matter under jurisdiction, and intellectual property laws of the said foreign country apply to the case if the jurisdiction is authorized.

2 The United Kingdom

In the United Kingdom, the law applicable for torts has been traditionally applied to IP right infringements. The country has established in 1995 a statutory law concerning the law applicable for torts, which stipulates application of the law of the place where the tort was conducted, in principle. For an appeal based on an act or negligence having occurred before the enactment of the statutory law, it is processed by the rule of the conflict of laws under the Common Law where an act in question is required to be "actionable" in the light of both the laws of the forum and of the place of tort. Nonetheless, exceptions are allowed for this "double actionability" rule; for example, a verdict was passed recently in a Court of Appeal adopting such exceptional rule in a case of an IP right infringement in a foreign country.

3 Germany

Presently, the law of the country in which the right is protected (hereinafter referred to as the country of protection) is applied to industrial property rights, despite some opposing views. There are powerful opposing theories even for copyrights, stating, for example, that the law of the country of origin should be applied, but the majority theory is to adopt the law of the

(*6) See the Supreme Court decision on Oct. 16, 1981, Minshu, Vol. 35, No. 7, p.1224 on the case of Malaysia Airline System Bhd, and also Dogauchi, Hogaku-Kyokai-Zasshi (The Law Association Journal), Vol. 105, No. 7, p.974; and the Supreme Court decision on Nov. 11, 1997, Hanrei-Jiho (Judicial Precedent Report), No. 1626, p.74, and also Dogauchi, Jurist, No. 1133, p.213, 1998.

country of protection.

Conventionally, under the Enforcement Law of the German Civil Code (EGBGB), there has been no substantive enactment in terms of rules for determining the applicable law for torts. While theories and judicial precedents have supported the adoption of the law of the place of tort, efforts have been made to apply this principle flexibly. On June 1, 1999, the "Law Related to Private International Law on Non-Contracted Obligation and Real Right" was enacted, which stipulated provisions to make the conventional principle significantly flexible; the law also provides that if there is a law of a country that is virtually more closely related to the case compared with the law that should be the applicable law, the law of such a country should be used instead. However, no special provisions are stipulated in terms of IP rights.

While it is a traditional German thinking that the strict territoriality principle should be directly observed for IP right infringements, there is also a claim that this traditional territoriality principle should be reviewed. It is worthy of attention how the efforts to make the applicable law flexible will influence the IP right infringement matters in the future.

4 Japan

The applicable law for torts is determined under Article 11 of the Law concerning the Application of Laws in General, which is based on eclecticism between the theory to adopt the law of the place of the tort and the one to adopt the law of the forum. While there is dispute over how to decide the place of a tort, namely, to decide it based on the place of the deed or on the place of the consequence, the majority supports the way to decide it by dividing the torts into categories. Article 11 of the Law concerning the Application of Laws in General is an old provision; thus, it is desirable to amend it as soon as possible, from a legislative point of view.

The law concerning the application of laws does not include any stipulation on the applicable law for IP rights. Although there are various theories on the grounds or the theoretical structure concerning the applicable law, it is widely accepted to adopt the law in the country of protection based on the territoriality principle. Opinions are divided about the grounds, and there is a possibility that the territoriality of IP rights is being comprehended in slightly different ways.

The majority theory concerning the private international law of Japan views that the IP right infringements should be handled by the applicable law stipulated in Article 11 of the Law concerning the Application of Laws in General. Scholars on industrial property claim that because industrial property rights bear a nature of territoriality, they should be handled by the law of the country where the patent right, etc. is established,. Also, some scholars on private international law have expressed their opinions that it is reasonable to directly adopt the applicable law for industrial property, based on a judgment that the overlapping application of Japanese laws should be avoided.

The following are judicial precedents concerning the relation between the applicable law for torts and that for IP rights: a pronouncement by the Tokyo High Court on January 27, 2000 on a patent infringement case concerning an FM signal demodulator claimed by a U.S. patent owner against a Japanese corporation, and another pronouncement by the Tokyo District Court on June 12, 1953 on a case where an infringement of a patent right granted in Manchuria was at issue. If a too inflexible view of the territoriality principle as reflected in the above pronouncements is applied directly to cases of IP right infringements on the Internet, the protection of IP rights may become significantly weak.

IV Various Issues over IP Right Infringements Caused by the Diffusion of the Internet

1 The Applicable Law for Copyright Infringements on the Internet

Society is undergoing great changes with the advent of the Internet, but, from the viewpoint of private international law, it is nothing more than an emergence of a new communication means, so that there is no direct influence on the method to decide the applicable law by using a point of contact as an element of location pointing at a certain territory. As for the applicable law for copyrights, Article 5(2) of the Berne Convention is interpreted as stipulating that "the laws of a member country where protection is demanded" should be adopted as the applicable law. Moreover, it is necessary to decide by each right constituting the copyright on specifically which law should be considered as the law of the country of protection. For example, when focusing on the right of reproduction, the territory should be the place where the reproduction is made; and when focusing on the right of making transmittable, the territory should be the place where an act was conducted so as to make the work transmittable. In this context, if an act of making a work trans-

mittable is conducted in a country where such a right is not yet authorized, it is regarded as not constituting an infringement of a copyright even if the copyrighted work becomes possible to access worldwide including Japan as a result of such an act. This is because an act of making access to a work and displaying it on a computer screen does not in itself fall under a copyright infringement (assuming that an act to temporarily store data of the work in a computer neither falls under a copyright infringement). This situation is objectionable, but it cannot be helped under the current legal system. From a legislative standpoint, it is desirable to further promote the unification of substantive legal norms and, in addition, effectively prevent acts of copyright infringements conducted by expertly using technical means.

According to a widely accepted theory in Japan, Article 11 of the Law concerning the Application of Laws in General should apply to matters of liability and legal protection arising from copyright infringements on the Internet, by qualifying such infringements as torts.

2 Issues of Trademark Right Infringements on the Internet and Conflicts between Domain Names and Trademarks

Though it is a matter of great interest, but there is still chaotic dispute over which country should handle the legal issues arising from the use of the Internet, as well as, which country's laws should be applied to solve the issues. The Internet does not involve national boundaries; thus, the laws of each nation which are based on sovereignty are not expected to regulate the Internet effectively. The issue over domain names would, however, give useful suggestions for studying this matter.

While business has been appreciating the convenience of the Internet and anticipating its future evolution, the way in which disputes over domain names are settled may indicate a new direction to the development of the Internet. Taking into account the fact that the Internet has been free from interference of any country but supported through bottom-up self-management by the parties concerned from its early stage of development, a desirable mode of dispute resolution may be arbitration based on an agreement between the parties concerned, bearing fairness and universality in mind. A great advancement can be expected in solving the problem of cyber squatting if the problems are handled through dispute resolution based on an agreement among the domain name owner, the trademark right owner, and the domain name registration agency. A case to be noted is where a domain name conflicts with a trademark right despite the lack of "bad faith" on the part of the domain name owner. Since the dispute resolution rules recommended by the Internet Corporation for Assigned Numbers and Names (ICANN)(*7) use "bad faith" as the basis for solving cyber squatting problems, it is worthy of attention how the ICANN rules will be improved in the future.

3 Jurisdiction of IP Infringements on the Internet

With the diffusion of the Internet, the so-called cyber space conflicts have become a problem. There have already been some U.S. judicial precedents in which the court has handed down decisions on international jurisdiction related to cyber space conflicts that arise across borders often unintentionally. While these precedents were related to matters concerning domain names, recently matters concerning patent rights have come to emerge.

One of such cases is the case of CoolSavings (CoolSavings. Com., Inc. v. IQ. Commerce Corp., 53 F. Supp. 2d 1000, 51 USPQ2d 1136 (S.D. I11. 1999) June 6, 1999, Decided) and another case is the case of CIVIX (CIVIX-DDI LLC v. Microsoft Corporation, et al., 52 USPQ2d 1501 (D.Colo. 1999) September 30, 1999, Decided, October 1, 1999, Filed).

As both cases were on patent right infringements, it was ruled that jurisdiction over these cases could be sanctioned to any District Court, and the more detailed examination was left to the decision on the determination of the venue.

(*7) Reconciliation, trials and arbitration are conducted in order to solve disputes over domain names. When handling the so-called cyber squatting, a policy and procedures for dispute-settlement are released to public with the presumption that an appeal will be made to a dispute-settlement body authorized by ICANN for solution.

V In Place of a Conclusion: A Discussion on the Draft Hague Convention

1 The Hague Convention on Private International Law (*8)

The Hague Convention is an inter-governmental international body established for the unification of private international laws, where members conduct various types of related study, deliberations, research, information exchanges, and drafting of treaties. It began with the international conference on the unification of private international laws in Hague, an initiative of which was taken by the Dutch Government and was joined by 13 countries of the European Continent in 1893. It was initially an official diplomatic conference, but was not a standing organization; the conference was rather administered as a society for the study and debate among scholars. After World War II, there were growing calls for converting it into a standing international organization, which resulted in the preparation of the "Draft Provisions of the Hague Conference on Private International Law" in 1951. These draft provisions provide for the objectives, organization, management, finance, etc. of the Hague Conference, and came into effect in 1995.

Japan has sent delegations to the conference since the fourth conference in 1904. The United States also joined it officially in 1964. The conference has also been joined by Canada, Argentina, Brazil, Australia, etc. and has grown into a body with 47 member countries, expanding its scope beyond the framework of Europe to a global scale. Also, the conference is serving a central organization for global unification of private international laws, where non-member nations have been invited to participate in preparing a treaty depending on the theme.

2 Background and a Prehistory of the Discussion on the Draft Hague Convention

At present, there are no international rules being adopted globally in the field of the recognition and enforcement of international jurisdiction and foreign rulings. The only exceptions are unification rules applicable to countries within the European region and those applicable to countries within the American region: The former is called the Brussels-Lugano Convention, and the latter is "the Montevideo Convention of 8 May 1979 on the Extraterritorial Validity of Foreign Judgments and Arbitral Awards," and its supplementary treaty, "the La Paz Convention of 24 May 1984 on International Jurisdiction for the Extraterritorial Validity of Foreign Judgments."

The fact that each country is making a decision on the recognition and enforcement of international jurisdiction and foreign rulings following their respective national laws has lead to a problem, where rules concerning such recognition and enforcement to be adopted on the occurrence of an international dispute have become so complicated as to make difficult any forecast on the matters concerned particularly for those parties constantly involved in international transactions.

Meanwhile, the Hague Conference on Private International Law started study for the preparation of a convention in response to the proposal made by the United States in the Special Commission for general issues held in June 1992, which targeted the establishment of a global rule related to the recognition and enforcement of international jurisdiction and foreign rulings. In October 1999, a draft was finalized in the fifth Special Commission held as an extra-session(*9). It is planned to be officially adopted as a convention in June 2001.

3 Outline of the Draft Hague Convention

The purpose of the Hague Convention is to promote a sound judicatory worldwide and to recognize jurisdiction as one of the basic factors of an appropriate judicatory. The Draft of the Convention consists of the following chapters: Chapter 1 "Scope of the Convention," Chapter 2 "Jurisdiction," Chapter 3 "Recognition and Enforcement" and Chapter 4 "General Provisions." The scope of this Convention covers all the civil and commercial cases apart from some exceptions. Therefore, it also applies to IP litigation in general, including remedies against

(*8) As for the outline of the Hague Conference on Private International Law, see Sueo Ikehara, "Kokusai Shiho (Soron) (The Private International Law (General Remarks))", Horitsugaku Zenshu (Jurisprudence Library Edition), pp.54-, and Toshifumi Minami, "Heegu Kokusai-Shiho-Kaigi Ni Okeru Kokusai-Shiho No Toitsu (Unification of Private International Laws in the Hague Conference on Private International Law)", Jurist, No.781, pp.185-, 1958.

(*9) See serialized articles, Masato Dogauchi, "Minji Oyobi Shoji Ni Kansuru Saiban-Kankatsu-Ken Oyobi Gaikoku-Hanketsu Ni Kansuru Joyaku-Junbi-Souan (Outline of the Special Commission of the Hague International Conference on Private International Law held in October 1999 which adopted the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters)", Kokusai Shoji Homu (The International Commercial Laws), Vol.28, No.2, pp.170-, 2000.

infringements.

The Convention has a characteristic of a "Mixed Convention" dividing the causes of jurisdiction into three categories: White, Grey and Black. The Convention authorizes direct jurisdiction for causes of jurisdiction cited on the White List (from Article 3 to 13) and obligates other Contracting States to recognize and enforce a ruling given based on the said cause of jurisdiction, as long as the ruling satisfies other requirements for recognition and enforcement.

The causes cited on the Black List (Article 18) are not allowed to be considered as the basis on which jurisdiction is authorized; thus, no decision shall be given based on these causes. Even if a judgement should be made in a Contracting State, other Contracting States must reject the recognition and enforcement of the ruling.

As for the causes cited on the Grey List (Article 17), Contracting States can authorize and give a judgment based on the causes of jurisdiction approved under the respective national laws, provided that the cause complies with certain provisions and is not included in the Black List. However, as long as the cause is not included in the White List, the other Contracting States are not obliged to approve indirect jurisdiction concerning the judgement as a duty set off in the Convention and are allowed to decide whether or not to recognize and enforce the ruling.

4 Provision of Article 12 (4) of the Draft

(1) Summary

Article 12 (4) of the Draft Hague Convention stipulates that with respect to the validity of patents, trademarks, designs or other similar rights required to be deposited or registered(*10), the courts of the Contracting State in which those rights are registered have exclusive jurisdiction.

Meanwhile, there has been dispute over litigation on infringements of rights, specifically, as to whether the litigation should be subject to general provisions (that is, subject to a country where the habitual residence of the defendant is located [in the case of a corporate body, subject to the country where its main office is located, the country of which law applies to its establishment, the country where its main administrative power lies, or the country where its business is focused] , or the country where the tort was conducted) or exclusively subject to the country of registration; but, at present, this matter is included in a provision concerning exclusive jurisdiction as being put in parentheses. Also, a clause that the provision concerning exclusive jurisdiction shall not apply to judgement on the validity of a right disputed as a presupposition for deciding the constitution of an infringement in an infringement litigation is also put down in parentheses as an option of Article 12 (5)(*11).

(2) Focus of the Issue

The most important point of dispute lies in the question as to whether jurisdiction should be sanctioned to a country other than the country of registration in litigation on infringements of patent rights, etc., as well as, in the question as to how jurisdiction over the determination of validity should be made when a plea for invalidation is made. There are three options available for these questions: (1) exclusive jurisdiction of the country of registration, (2) jurisdiction of the country where the habitual residence of the defendant is located or where the tort was conducted (but, for judging a plea for invalidation, exclusive jurisdiction of the country of registration), and (3) jurisdiction of the country where the habitual residence of the defendant is located or where the tort was conducted (but, for judging a plea for invalidation, jurisdiction should be authorized to an infringement court, regarding the plea as a postulate only between the interested parties).

The following part of this paper examines what option Japan should take based on reports by our committee members and arguments in the committee.

5 Problems Related to the Draft and Examination of the Direction toward Solution

(1) Litigation over the Validity of Patent Rights, etc.

The Draft Hague Convention stipulates that the international jurisdiction of litigation over the validity of patent rights, etc. belongs exclusively to the country of registration. At present, it seems that there has been no significant objection to this provision from the countries concerned, including Japan, suggesting their support for the theory. Also, no significant objection has been made in our committee or by the industrial sector.

(*10)Similar rights include the utility model right (The Utility Model Law), the right of use of circuit layout of semiconductor integrated circuit (The Law Concerning the Circuit Layout of Semiconductor Integrated Circuit), and the right of fosterers (The United Protection of Vegetation Act).

(*11)The Draft Hague Convention sets forth the provisions as Article 12 (5) and (6), but this report uses such expressions as Article 12(5) Option 1 and Option 2 as a matter of convenience.

(2) Litigation over the Infringements of Patent Rights, etc.

(i) Particularity in the Litigation over the Infringements of Patent Rights, etc.

(a) Relationship with the Territoriality Principle

There is a claim that jurisdiction should not be authorized to a country other than the country of registration, on the ground of the territorial nature of patent rights, etc.

The territorial nature described here means that "the effect of an intellectual property right granted in a country is valid only within the territory where the ruling power of the country can be exercised, while its establishment, modification and effect outside a region stipulated by the Convention should be subject to the laws in the country which has granted the right. Consequently, each country shall not apply foreign laws to an intellectual property right it has granted, and shall not grant IP right granted by foreign law within its territory."(*12) Since the scope of the effect or a right and the scope of authorization of jurisdiction do not necessarily have to coincide, the fact that rights such as patent rights granted in a certain country are not subject to foreign laws or that the same rights are not granted in foreign countries is not considered to serve as the reason for not authorizing jurisdiction to other countries.

(b) Risk of an Infringement of Sovereignty

In litigation over infringements of patent rights etc., it is common practice to approve a compensation claim, as well as, a claim for issuing an injunction. But, if a foreign court makes a decision approving a claim for injunction, it means of prohibiting an act conducted in the country where the said right was registered; thus, there is an argument that such prohibition might be equivalent to an infringement of sovereignty of the country of registration.

However, it is considered that such prohibition does not stand for an infringement of sovereignty of the country of registration, because the prohibition only applies to acts regarded as being illegal in the country of registration, and recognition or enforcement of a foreign verdict is not unconditionally demanded since Article 28 of the Draft Hague Convention enumerates the grounds for refusal of recognition or enforcement of a foreign verdict, for example, a foreign verdict that is inconsistent with the rulings in the country of registration or is apparently against public policy.

Since Article 10 of the Draft Hague Convention sets forth that a plaintiff may bring an action before a court even if injury may occur, it is considered that a request for injunction is being approved as a precondition. At present, there have been no objections to this provision on the ground of the infringement of sovereignty.

Additionally, there will be detailed discussion later in this Chapter over a case where a foreign court is requested to make a judgement on the validity of a right when a plea has been made for the invalidation of that right in infringement litigation. However, in sum, if a foreign court makes such a judgement as a prerequisite issue for giving a court decision on the infringement case, and if the judgement will not have an effect on the public, the foreign court's action of making a judgment as a prerequisite issue is considered not to correspond to an infringement of sovereignty.

(c) The Need for Expert Knowledge

There is a view that the jurisdiction of a Japanese court over litigation regarding infringements of foreign patent rights, etc. is questionable on the ground that a high level of expert knowledge is required in such cases(*13).

However, there is a dominant opinion opposing the above view based on a reason that it is common practice for a court to make judgment by applying foreign laws, and because application of foreign laws requires expert knowledge to a greater or lesser extent, such a requirement is not confined to litigation over infringements of patent rights, etc.

(ii) Convenience for Parties Concerned in Litigation

(a) Standpoint of a Plaintiff

For a plaintiff who is the right holder, the wider the authorized jurisdiction the more advantageous it would be for enhancing the enforceability of the remedial means for his/her own right.

When a tort of the defendant has been conducted in a country different from the one where the right of the plaintiff was registered, and the defendant has no assets in the country of registration, the plaintiff may easily secure the enforceability of a legal remedy if jurisdiction is authorized to the country where the defendant conducted the tort or where the defendant normally keeps assets, because these countries would be convenient for collecting evidence or

(*12)Nobuo Montani, "Chiteki-Zaisan-Ken No Kokusaiteki-Hogo (International Protection of Intellectual Property)", Jurist Zokan (Extra Issue of Jurist), Kokusai-Shiho No Soten (Dispute over Private International Law), new edition, p.25, 1996.

(*13)Toru Tanaka, "Huho-Koi- Horei 11 Jo 2 Ko (Torts- Article 11 (2) of the Law concerning Application of Laws in General)", Bessatsu Jurist (Separate Volume of Jurist), Shogai-Hanrei Hyakusen (External Affair 100 Precedents), 3rd edition, p.100, 1995.

executing an injunction. It goes without saying that the recognition or enforcement of a verdict can be conducted in the country where the tort took place or where the habitual residence of the defendant is located; however, it will take a long time and there will be no guarantee that the verdict will really be executed.

If jurisdiction is authorized to the country where the habitual residence of the defendant is located, the owner of a right who has obtained the same right in multiple countries can carry out litigation in a concentrated manner in the country where the habitual residence of the defendant is located, in cases where the defendant has infringed the right in multiple countries.

Furthermore, the collection of evidence would be conducted more efficiently if jurisdiction is authorized to the place of the tort. In like manner, an owner of a right would benefit more from the authorization of wider jurisdiction, because it is expected that there will be various types of litigation, such as litigation over an infringement of a patent right, a trademark right, etc. filed in combination with litigation over an infringement by unfair competition.

Securing the diversity of remedial means for owners of rights also contributes to the promotion of pro-patent policies aimed at appropriate protection of patent rights.

(b) Standpoint of a Defendant

On the other hand, there is a possibility that the country of registration is not the country of habitual residence, the place of tort, nor a foreseeable place of injury, even for the defendant. If a defendant is obliged to respond to litigation in the country of registration in such a case, he/she will suffer inconvenience. And, if an ordinary venue is not approved, the defendant will have to bear a heavier burden to respond to the litigation.

As a common practice, rights such as patent rights are obtained for the same content in many countries. Consequently, if general rules were to be applied, an issue arises from authorizing jurisdiction to the place where injury occurred that "the authorization may mean the approval of the so-called forum shopping by the plaintiff in countries where he/she possesses rights of the same content." Nonetheless, Article 10 (4) of the Draft stipulates that a country where the injury has occurred has jurisdiction only over the actual injury, and objective joint jurisdiction is not approved. Thus, it is unlikely that a disadvantage will be caused to the defendant by authorizing the plaintiff to do forum shopping in a country where the infringement has occurred.

(iii) Problem Area of Cases Where the Validity is Disputed in Infringement Litigation and Examination of the Direction toward Solution

(a) Problem

From the above discussion, it would be desirable for both the plaintiff and the defendant that provisions concerning the ordinary venue of the defendant or the special venue of the tort are observed, as long as there is no dispute at least over the validity of the right between the parties concerned.

A problem occurs in cases where a plea for invalidation is made, that is, a judgment on validity is requested in infringement litigation when the country of registration is different from the country where the infringement litigation is filed. In other words, since litigation over the validity of patent rights, etc. is subject to exclusive jurisdiction of the country of registration, if the country of registration was also to make judgment on the validity of a right in infringement litigation, it will at least hinder expeditious proceedings and cause inconvenience to both the plaintiff and the defendant..

(b) Examination on a Direction Toward Solution

Our committee indicated a certain direction that international jurisdiction over infringement litigation should not be authorized exclusively to the country of registration also in cases where the validity of a right was disputed in litigation over an infringement of a patent right, etc. considering the convenience of the parties concerned in the litigation, but instead be authorized under general rules; moreover, infringement courts could be allowed to judge the validity of the right, if it was a prerequisite issue only between the parties concerned in the litigation. This solution corresponds to the international trend that litigation over infringements of foreign IP rights is encouraged and judgment on a plea for invalidation is also positively approved in countries such as Germany, the United States(*14), the Netherlands, etc.

It seems reasonable to appropriately utilize Article 22 of the Draft Hague Convention as a means of avoiding the problem that the judgment given on the validity of a right in the country of registration and the judgment given on the validity of a right as a prerequisite issue in infringement litigation may differ. Specifically, the said Article 22 stipulates that, "The court may, on application by a party, suspend its

(*14) In the United State, reserved attitudes are often seen in order to avoid interference with national acts of foreign governments.

proceedings if it is clearly inappropriate for that court to exercise jurisdiction and if a court of another State has jurisdiction and is clearly more appropriate to resolve the dispute." Therefore, when a court where the infringement litigation is filed judges, in response to a claim by a party concerned, that there is a strong possibility of harming legal stability and that it is apparently more appropriate to have the country of registration decide the validity, the court is considered to be able to suspend the litigation procedures until judgment on the validity is decided in the country of registration.

As for recognition or enforcement, Article 28 of the Draft Hague Convention stipulates, "recognition or enforcement of a judgment may be refused if the judgment is inconsistent with a judgment rendered, either in the State addressed or in another State." Therefore, even when an infringement court orders payment for compensation based on the assumption that the patent is valid, the country of registration may reject recognition or enforcement of the verdict as long as the invalidation of the patent has been finalized in the country of registration.

(iv) Judgment on the Validity of Patent Rights in Japan(*15)

(a) The Current System in Japan

The current Patent Law of Japan adopts a system of invalidation trials (Article 123), adopts the principle of the reconsideration by an examiner before appeal (Article 178 (6)), and authorizes the Tokyo High Court to exclusively handle the first instances of suits against appeal /trial decisions (Article 178 (1)). Under such a system, Japan's conventional case law and reigning theories authorized the Japanese Patent Office to make exclusive judgment on the validity of patent rights.

(b) Plea for Invalidation in Patent Infringement Litigation

Some doubts have been cast on conventional case law and reigning theories; for example, it might be unfair to request both parties to follow overlapping procedures for something that can be solved with one series of procedures, solely because of the principle of power sharing between the Japanese Patent Office and the court; or, on the part of the defendant of infringement litigation, there is a possibility that demand for injunction will be accepted while waiting for the court decision on invalidation, thus, it would only provide a circuitous remedial measure for the defendant. For this reason, the present dominant theory is to approve a plea for invalidation in cases where the invalidity is apparent to the court(*16).

(c) Influence on International Jurisdiction

The following views were advanced in our committee regarding judgment on the validity of patent rights. There are many countries in the world, such as the United States and France, that have a legal system authorizing infringement courts to judge the validity of rights. According to the dominant opinion, the points that should be considered are, for example, whether a court would face difficulty in making a reasonable judgment and whether it contributes to the convenience of the parties concerned in the litigation, while the legal situations in Germany and Japan, where infringement courts are restricted from judging the validity of rights, are no more than a matter of distribution of power under domestic circumstances and thus, should have no influence on the judgment of the validity of international jurisdiction.

There was also an opinion that Japan should take into consideration the fact that there is a dominant positive view in Japan to authorize the court to make a judgment on the validity of rights in infringement litigation when the validity is apparent to the court.

(3) Provisions Concerning Jurisdiction over Torts

The Draft Hague Convention authorizes the country where the defendant has conducted the tort and the country where injury has occurred, to have special jurisdiction over torts. However, it does not apply to cases where it has been proved that the occurrence of injury could not reasonably be foreseen in the country where the injury occurred.

As for the case of providing digital contents or services in trading over the Internet, current technology can neither prevent unauthorized downloading nor control the destination of such downloading. Therefore, the parties concerned may have to participate in IP infringement litigation in a place or country not within their expectations.

In order to avoid the above situation, it should be noted that a certain level of effect is acknowledged in requiring that there should be no reasonable foreseeability in the country where the injury occurred in order to exclude it from potential venues.

However, the global nature of the Internet can be foreseen by anyone, thus, the requirement of foreseeability alone may not be enough to

(*15) As for judgment on the validity of patent rights in Japan, the following materials were referred to and cited: Nobuhiro Nakayama, "Kogyo-Shoyuken-Ho Jo Tokkyo-Ho (Industrial Property Rights Vol.1 The Patent Law)," Kobundo, 2nd ed., p.27, pp.234-293, pp.408-421, 1998, and Yoshiyuki Tamura, "Kinoteki-Chiteki-Zaisanho No Riron (Theory of Functional Intellectual Property Law)", Shinzansha, pp.58-137, 1996.

(*16) See the book by Nobuhiro Nakayama mentioned in Note 15, p.418.

limit the potential venues. Therefore, it might be effective to prescribe that if appropriate measures are taken, such as indication of a "disclaimer" stating that the destinations are limited, and reasonable care is taken to maintain such limitation, these measures can constitute proof for lack of foreseeability. Nevertheless, there is room for discussion regarding what would be considered as reasonable care, whether it would be insufficient to merely give consideration under substantive law by approving broad jurisdiction, and whether perpetrators should be allowed to have control over the jurisdiction over torts. Thus, it is necessary to further discuss the effect of such a disclaimer itself.

In addition, the concept of "place" can become ambiguous in infringements related to offering of digital contents or services in trading over the Internet. For this reason, it is necessary to discuss also the effectiveness of the current system of making the "place of the act" or the "place of the injury" as a cause for deciding jurisdiction.

6 Challenges in the Future

The Draft Hague Convention is due to be adopted in the diplomatic conference to be held in June 2001, and an expert meeting is scheduled in the summer of 2000 focusing on intellectual property, discussions of which has been so far criticized as being insufficient. Hence, Japan must sum up its opinion as early as possible.

Our committee succeeded in identifying issues concerning international jurisdiction in litigation over infringements of patent rights, etc. and, at the same time, indicated a certain direction for solution as well as future challenges.

The industrial sectors are also revealing strong interest toward the Draft Hague Convention. Their dominant opinion is that the country of registration should not be exclusively authorized to have international jurisdiction over litigation over infringements of patent rights, etc., but there also seems to be an opposing opinion.

Tasks for the future include clarification of the problems which the industrial sectors are concerned about very much, and reconsideration of the issue of international jurisdiction regarding IP infringement litigation together with provisions on special venues for torts, by conducting a survey on the whole Convention from a wide framework of recognizing acts conducted by foreign countries, so as to reconfirm the discussions that have been made in our committee.

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