12 Research and Study on the International Disputes over Intellectual Property

The increase in the intellectual property disputes beyond borders is expected with progress of globalization and networking of economy. In order to promote suitable protection and practical use of intellectual property, it has become indispensable to establish suitable international rules for resolution of disputes.

In this research and study, under these circumstances, we reviewed, from the viewpoint of intellectual property lawsuit, problematic issues of the "Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters" which has been discussed at the Hague Conference on Private International Law, and specifically in relation to Article 12 of the draft Convention, considered the issues of adoption of either ordinary jurisdiction or exclusive jurisdiction with respect to infringement lawsuits and the judgment on the validity of patent in an infringement lawsuit, surveying theories and judicial precedents, etc. in Japan and overseas. Moreover, with regard to the rules on determination of governing law that are closely related with the jurisdiction, we clarified problems and considered solutions, reviewing various regulations of related treaties, as well as theories and judicial precedents, etc in Japan and overseas. Finally, the direction that our country should take was examined towards the adoption of the Convention.

I Introduction

The increase in the intellectual property dispute beyond borders is expected with progress of globalization and networking of economy, and in order to promote suitable protection and practical use of intellectual property, it has become indispensable to establish suitable international rules for resolution of disputes.

The "Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters" (hereinafter, called the "daft Hague Convention" or the "New Hague Convention")(*1) has been discussed at Hague Conference on Private International Law(*2), and it is due to be adopted after being discussed at the Diplomatic Conferences scheduled in June, 2001 and at the end of 2001 or the beginning of 2002. With respect to the issue whether the infringement lawsuit of patent right etc. shall be subject to the exclusive jurisdiction of the country where the right is registered (hereinafter, called "registration country") the Special Committee has not reached an agreement so that the issue has been referred to the Diplomatic Co nferences.

In WIPO (World Intellectual Property Organization), the "WIPO Forum on Private International Law and Intellectual Property"(*3) was held at the end of January 2001, and the concern about these issues is increasing.

Under these circumstances, this research and study was conducted through a committee which consists of scholars of international private law or intellectual property law, representatives of industry, practicing attorneys, etc., and organized problematic issues of the draft Hague Convention with respect to international jurisdictions as well as recognition and execution of foreign judgments, and examined the direction that our country should take towards the adoption of the New Hague Convention

Furthermore, with regard to the issue on the rules for determination of governing law, problems underlying the issue was clarified by reviewing various regulations of related treaties, theories and judicial precedents in Japan and overseas, etc. and solutions were examined.

Although opinions of each committee member have considerable differences depending on points of argument, the whereabouts of the issues in this field is shown just in the differences. It seems that the axis of a big confrontation exist in the difference in recognition to the issue: should intellectual property rights be treated as general private right; should say that the grade of public concern is high to the same extent with real right of land; or it is thought that the foundation of the right itself is special, and the national concern is very high, and in response to that extent, the difference has arisen in the view of international jurisdiction and governing laws.

As to such the facts will be omitted in this paper that already reported in the reports on research and study of fiscal year 1999 of our institute, specially on "Research and Study on Patent Invalidation and Infringement", "Research

(*1) For detail of the draft Convention, see the official website of the Convention URL (http://www.hcch.net/e/workprog/jdgm.html).

(*2) For detail of the Hague Conference on Private International Law, see the official website URL (http://www.hcch.net).

(*3) For the detail of the Forum, see the official website of WIPO URL (http://www.wipo.int/pil-forum/en)

and Study on Issues Related to Intellectual Property Disputes and Private International Law" and in IIP bulletin Vol. 9 (2000) with the same titles, which dealt with subjects with a close relation to this research and study.

II International Jurisdiction in intellectual property infringement lawsuit

1 Judgment on Validity of Right in Patent Infringement Lawsuit and Article 12 of the Draft Hague Convention

(1) Introduction

In Article 12, paragraph 4 of the draft Hague Convention it is proposed "In proceedings which have as their object the registration, validity, [or] nullity [, or revocation or infringement,] of patent, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposition or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place, have exclusive jurisdiction." However, the arguments have been divided into whether or not all such proceedings including [revocation or infringement] proceedings shall be subject to exclusive jurisdiction.

On the premise that infringement lawsuit itself is subject to ordinary jurisdiction, hereinafter, the point of argument whether judgment on the validity of right in an infringement lawsuit should be subject to the exclusive jurisdiction of the registration country will be considered.

(2) Judgment on Validity of Right in Patent Infringement Lawsuit

The grade in which an infringement court makes a judgment on validity varies country to country.

(i) Japanese laws

Under Japanese laws, judgment on validity of patent is left to the Japan Patent Office(*4), and judgment on the scope of the right or on infringement is left to the courts. Although an infringement court may suspend litigation proceedings until a decision of the Japan Patent Office is made (*5), the courts actually have avoided the situation of the enforcement of patent rights that are apparently invalid without waiting for the trial decision on invalidation to be finally affirmed.(*6).

In the Supreme Court's judgment of the Fujitsu semiconductor lawsuit(*7) on April 11, 2000, it was stated that if it is apparent that a reason for invalid exists in the patent in dispute, claims for injunction and damages, etc. based on the patent right are not granted, due to abuse of a right, as long as there was no special situation.

As the route which affirms defense of invalidity of patent before an infringement court, the route which affirms reexamination of the disposal on the patent in the infringement court from the front(*8) has remarkably little problem, compared with the route which makes a basis the flaw of disposal on patent as administrative disposition, such as an theory of natural invalidity (Touzen-muko-setsu). Consideration from this route should be taken in the future.

(ii) Foreign laws

① US laws(*9)

In the U.S., such a position is taken that the claim for invalidation before a court(*10) is just the principle of the patent invalidation system. Although the effect of the judgment on invalidity in an infringement lawsuit is limited to between parties concerned in principle, the de facto effect to third parties is affirmed(*11). In the U.S., it is considered that a judgment on validity is a incidental question indispensable to judgment on infringement, and, probably, the way of thinking which considers only one judgment on either infringement or validity to be subject to the exclusive jurisdiction of the registration country will be intolerable. As long as both are treated as a whole, it is thought that it is not a big turning point whether it is subject to either ordinary jurisdiction or exclusive jurisdiction.

② German laws(*12)

In Germany, patent invalidation procedure is subject to exclusive jurisdiction of the Federal Patent Court. Although no judgment on validity by an infringement court is allowed, and the infringement court may suspend the infringement litigation proceedings at its discretion, if a lawsuit

(*4) Article 123 of Japanese Patent Law.
(*5) Article 168 of Japanese Patent Law.
(*6) Institute of Intellectual Property "The Report on Research and Study on Patent Invalidation and Infringement" (Kazuhide Shimasue, Seiji Ohno), Institute of Intellectual Property, pp.3-24, (2000).
(*7) Hanrei Jihou No. 1710, p68 (2000).
(*8) Institute of Intellectual Property supra. note 6 (Toshiaki Makino), p.568.
(*9) Institute of Intellectual Property supra. note 6 (Naoki Matsumoto), p.568, (Toshiko Takenaka) p143.
(*10) 35 U.S.C. § 282.
(*11) Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation et al., 402 U.S. 313, 169 USPQ 513 (1971).
(*12) Institute of Intellectual Property supra note 6 (Yuko Kimishima) p36, (Christopher Heath) p191.

on validity of the patent is pending(*13), such actual cases are few.

(3) Adoption of either Ordinary Jurisdiction or Exclusive Jurisdiction; Theoretical and Practical Basis

(i) Basis for adopting ordinary jurisdiction

With the existing rule on international jurisdiction in Japan, since a jurisdiction is admitted in Japan if the defendant is habitually resident in Japan, or the parties have agreed as long as there is no special situation, special basis is not needed for adopting an ordinary jurisdiction for judgment on the validity of right. If exclusive jurisdiction of a registration country is adopted only for judgment on the validity of right, the parties must bear such a burden that invalidation procedure should be carried out separately in the registration country, and it is unreasonable in view of litigation economy.

(ii) Basis for adopting exclusive jurisdiction

On the other hand, there is an opinion that not only defense of invalidity of right but also the institution of an infringement lawsuit itself should be carried out in the exclusive jurisdiction of the registration country like jurisdiction in rem, on the basis of "territoriality" of patent right. However, the institution of infringement lawsuit for foreign right before a domestic court is, at least theoretically, not contradictory to the effect of foreign patent right not stretching across the region (regionality principle).

Moreover, there is the Act of State Doctrine, according to which since judgment on invalidity of a right leads to judging the validity of the act of the government organization of the registration country, it should be carried out in the registration country. Also there is a case in the U.S. in which enforcement of jurisdiction for an infringement lawsuit on a foreign patent rights was avoided from a viewpoint of international comity(*14).

However, with respect to this basis, there are many points to be clarified such as the substantial standard with which national courts can judge. According to the potion understanding that disposal of patent merely carries out authentication of an inventorship of private person, there is few necessity to consider such disposal as completely same as national expropriation. Even though it is subject to the exclusive jurisdiction of a registration country on the basis of specialty nature of the case, it is enough to limits the reasons to those of strong public interest nature (novelty, inventiveness, etc.).

On the other hand, as to the issue of disagreement of judgment in Japan and overseas, for example, such that after receiving a nullity judgment in the U.S., a validation judgment is made in Japan, the degree of interference in policy of the foreign government is large, the issue should be considered as a problem of international lawsuit competition (double prosecution). It cannot be denied to bring a result which is hard to be disregarded in connection with the legislation (U.S.) which especially accepts the third party effect.

2 Judgment on Invalidity Reason in Patent Infringement Lawsuit

(1) Introduction

The judgment of the Supreme Court's on the above-mentioned Fujitsu semiconductor lawsuit will be examined from viewpoints of the influence affecting infringement lawsuit for patent rights including foreign patent rights, and the problem which should be taken into consideration.

(2) Conventional Theories and Judicial Precedents

As conventional theories and judicial precedents, there is (i) theory to refuse invalidation judgment (Mukou-handan-hitei-setsu) such as a judgment of the old Supreme Court (Daishinin-hanrei).

On the contrary, theoretical compositions have been sought for drawing a reasonable conclusion by infringement courts without waiting for affirmation of trail decision of invalidation. For instance, in such cases as completely well known, there are variety of theories and judicial precedents such as: (ii) Theory of limited interpretation in a wide sense (theory to deny extended interpretation) (Kakuchou-kaishaku -hitei-setsu), (iii) Theory of limited interpretation in a narrow sense (theory to limit to embodiments) (Jisshirei-genntei-setsu), (iv) Defense doctrine of free technology (well-known technology) (Jiyu-gijutsu-no-kouben-setsu), (v) Theory of decision of technical scope impossible (theory of no existing protection scope) (Gijutsuteki-hani-kakutei-funou-setsu), (vi) Theory of Naturally invalid (defense theory of invalidity) (Touzen-mukou-setsu)(*15) and (vii) Theory of abuse of right (Kenri-ranyou-setsu) (*16) etc.

(*13) German Law of Civil Procedure (Zivilprozeβordnung) ZPO148.

(*14) see III 3 (1) (iii)③ of this paper.

(*15) Nobuhiro Nakayama, "Kougyoshoyuukenhou jou tokkyohou second edition", Kobundo, p.411 (2000).

(*16) Minoru Takeda, "Chitekizaisankenshingaiyouron Tokkyo/ishou/shouhyou hen (3rd ed.)", Hatsumeikyoukai, p.90 (2000).

(3) Significance of the Supreme Court Judgment

(i) Advisability of judgment on invalidity of patent in a patent infringement lawsuit

This judgment has significance, by overturning the old Supreme Court judgment, in suggesting that a court may judge on whether the existence of the reason of invalidity is apparent even before the decision on invalidity of patent is affirmed. Thereby, ① an appropriate conclusion is obtained concretely (idea of equity), ② it meet with litigation economy by saving the trouble of doubling a trial examination for invalidation and an infringement lawsuit, and ③ it will attain speediness of deliberation of an infringement lawsuit.

(ii) Adoption of the theory of abuse of right

Since this judgment suggests that the patent right last lawfully valid until the trial decision of invalidity is affirmed, it is clear that it does not adopt the theory of naturally invalid. Although there is a criticism in bringing up universally the theory of abuse of right which originally requires individual judgment, merely because of a patent right given to an invention without novelty, this judgment is considered to have understood that it was not contrary to a principle of law to set enforcement of a patent right to one of typical cases, in case it is predicted that the patent becomes invalid in retroactivity in the future. As the requirements for abuse of right, ① a subjective element (intention of injury) is not necessarily needed, ② no distinction by the contents of the reason for invalid is carried out, and ③ Certainty of the existence of the reason for invalid was made into requirements.

(4) Influence of the Supreme Court Judgment

(i) Harmonization with Invalidation System in Various Countries

Except for Germany, defense of invalidity of patent in an infringement lawsuit is admitted in the major countries. In the U.K., the application for revocation of patent can be submitted to the UK Patent Office or a court, and a defense of invalidity of patent in an infringement lawsuit or a cross litigation for revocation of the patent can be filed. In France, invalidity of the patent can be only disputed before a court, and defense of invalidity of the patent in an infringement lawsuit is also accepted besides the claim for revocation of the patent. On the assumption that a patent right is not invalid against a third party until trial decision on invalidity is affirmed, this judgment likely aimed at harmonization with major countries by law composition called the legal principle of abuse of right.

(ii) Speediness of lawsuit

This judgment suggests that the system of suspending under Article 168, the second paragraph of Japanese Patent Law is not applicable when it is foreseen certainly that the patent is invalidated. It is thought that, according to this suggestion, speedy deliberation in many cases used as the cause of unsettled over a long period of time will be carried out.

(iii) Relationship with a result of invalidation trial

As to the relationship between an invalidation trial and an infringement lawsuit: ① If a trial decision of invalid is affirmed in advance, naturally the claim for infringement in an infringement lawsuit shall be dismissed; ② When a trial decision of invalid is affirmed after claim for injunction or damages is admitted in a infringement lawsuit, it is thought that a request for re-examination is possible under Article 338, the first paragraph, No. 8 of Law of Civil Procedure; ③ Conversely, when invalidity of a patent is not admitted in a trial for invalidation (and a subsequent lawsuit against trial decision) after it was judged that existence of the reason for invalid was clear and the claim was dismissed in the infringement lawsuit, since claim preclusion (res judicata) itself does not necessarily conflict, it is thought that it cannot be said that there is a reason of new trial under Article 338, the first paragraph, No. 10. of Law of Civil Procedure. Although such inconsistency of judgments is considered for relief to be difficult as itself, it is thought that a new institution of lawsuit for a subsequent infringement is not impossible.

(iv) Relationship with another lawsuit

It is understood that this judgment foresees that the effect of clear existence of the reason for invalid is relative. It is thought that this cannot have a certain effect in other infringement lawsuits.

(v) Necessity of the defense of abuse of right

Since the adversary system is applied to neither matters of regulations nor its interpretation, if the fact basing existence of the reason for invalidating the patent is asserted even when there is no explicit assertion by the party concerned, it shall be allowed to judge on the abuse of right. However, in a trial court deliberating the fact, in order to make the assertion more clear, it is desirable to exercise the right of clarification (Article 149 of Law of Civil Procedure).

(vi) Influence on lawsuits for infringement of foreign patent right

It is thought that, according to this judgment, the environment which can harmonize with the judgment in major countries was ready, even in case that a Japanese court deals with an infringement lawsuit for foreign patent right.

3 Respect for the Act of Foreign State: The Validity of Foreign Patents

(1) Introduction

The recent Card reader case in Japan involving the problem of the extraterritorial application of US Patent Law seems to show how a court of one state responds to foreign extraterritorial jurisdiction, which is one of the most controversial problems raised by the draft Hague Convention. Therefore, it would be of interest to analyze this case to suggest what rule should be in a new international jurisdiction convention.

(2) A Japanese Case

(i) Summary of the case

The plaintiff, who is Japanese and a US patent holder, filed a suit against the defendant, which is a Japanese company and is producing products (directed to the US) in Japan and selling the same in the US through its subsidiary company, for, among others, the prohibition of production in Japan and exportation of such products from Japan, the destruaction of them in Japan, and damages to compensate for the loss. In this case, with regard to the plaintiff's claim for prohibition of production and exportation and for destruction, the Tokyo District Court(*17) selected the US Patent Law, the law of the registration country as the governing law, "based on the order in private international law, which is the spirit of justice and accomplishing the end". While the court suggested that there was a possibility of contributory infringement under the US law, but it held that it was against the public order of Japan as provided for in Article 33 of the Horei (Japanese Code of Private International Law) to apply the US Patent Law, since the extraterritorial application of the US Patent Law was irreconcilable with the basic system of Japanese Patent Law, referring to the territorial principle.

On appeal, the Tokyo High Court(*18) held that there was no problem in deciding the governing law and it was Japanese Patent Law that should be applied to such claims arising from activities in Japan under the territorial principle. Since Japanese Patent Law has no provision to prohibit activities that would result in violation of a foreign patent, such claims were dismissed.

With regard to the claim for damages, both courts applied Japanese law as the governing law on torts because the place of the fact causing damage, lex loci delicti, as provided for in Article 11 of the Horei is Japan and dismissed the claim for damages because the defendant's activities were not to be blamed in accordance with Japanese law.

(ii) Some points

The first point in the above judgments that need to be discussed further is that Japanese courts admitted their jurisdiction to adjudicate claims based upon foreign patent law.

The second point is that there is one important difference between the judgment of both courts in the determination of the claims for prohibition and for destruction. It seems illogical for the Tokyo District Court to select the US Patent Law as the governing law but to reject its application. Such a foreign conflict of law rule as the extraterritorial application rule of the US Patent Law should not be considered. It seems natural to apply Japanese Patent Law to activities in Japan as the Tokyo High Court did. This means that, if the defendant's activities were done in the U.S., then the Japanese court should apply the US Patent Law to such activities(*19). From the framework of extraterritorial jurisdiction, it is important to note that the extraterritoriality of the U.S Patent Law is rejected in Japan.

The third point is that both courts dealt with claim for damages as an ordinary tort claim distinguishing from the claims for the prohibition and for destruction. In the patent law of many countries, there are no distinctions between damages and other remedies such as the prohibition of production. There are both commentators for and against the distinction made by the courts(*20). From the position that the patent right is though to be the product of a sovereign act of state, such special remedies as injunctions should be distinguished from such remedies under private law nature such as damages.

The fourth point is that both courts applied Japanese tort law to the claim for damages. With regard to cross-border torts in which the parties concerned are situated in different jurisdictions, the lex loci delicti under Article 11 of Horei is ordinarily interpreted to be the law of the place where the victim suffered the damage, and the U.S. law should be applied in this case.

(3) Article 12 of the Draft Hague Convention

Article 12 (4), (5) and (6) are considered the most controversial provisions of the draft Hague

(*17) Tokyo-chisai, April 22,1999, Hanrei Times, No.1006, p. 257 (1999).
(*18) Tokyo-kousai, January 27, 2000, Hanrei Times, No.1027, p. 296 (2000).
(*19) Tokyo-chisai, June 12, 1953, Kaminshu Vol.4, No.6, p847 (Manshukoku-tokkyo-jiken).
(*20) Criticism: Nobuhide Ohtomo, Jurist No.1171, p. 107 (2000). Support: Akira Saito, Jurist extra edition No. 1179, H11 Juyohanreikaisetsu, p. 299 (2000).

Convention(*21). One of the critical points would be how the courts of a country should deal with a foreign patent as a matter of the merits in such infringement proceedings. In this respect, the act of state doctrine seems to play an important role.

(4) The Act of State Doctrine

The Act of State Doctrine under the law of the U.S. is defined as follows: "In the absence of a treaty or other unambiguous agreement regarding controlling legal principles, courts in the U.S. will generally refrain from examining the validity of a taking by a foreign state of property within its territory, or from sitting in judgment on other acts of a governmental character done by a foreign state within its own territory and applicable there."(*22) In Japan the Tokyo High Court applied in 1953 a very similar doctrine to the question of the validity of the Iranian Government's expropriation of crude oil situated in Iran. It seems to be possible for the act of state doctrine to apply to the question of the validity of a foreign patent. It would be hard for a registering state to recognize effects of a foreign judgment which holds invalid the effect of the patent of the registering state. According to the act of state doctrine, foreign courts must decide the case of the infringement of a foreign patent on the condition that they cannot invalidate the patent validly registered in the foreign state. As far as this condition is met, the state where the patent is registered would find no difficulty to recognize such a foreign judgment concerning an infringement of the patent in the registering state.

Japanese courts have admitted its jurisdiction over the case of infringement of a foreign patent. This, however, does not mean that a court of a state can hold invalid the effect of foreign patent as an incidental decision. This solution to respect for validity of foreign patents under the act of state doctrine would be able to delete the word "infringement" from Article 12 (4) of the draft Hague Convention.

4 Adoption of Jurisdiction by the Convention and the Substantive Law in Japan as well as International Private Law

(1) The Problem

In the Manchurian patent case(*23) that the sale in Manchuria was asserted as an infringement of a Manchurian patent right, the Tokyo District Court dismissed the claim according to Article 11, the second paragraph of Horei, while admitting international jurisdiction to enforcement of a foreign patent right. However, with such a conclusion, the adoption of jurisdiction becomes meaningless so that positively detrimental situation is brought to Japan where jurisdiction is substantially not admitted, even if this kind of jurisdiction is admitted under the New Hague Convention.

(2) Relationship between the Territorial Principle and International Private Law

It is thought that there are two views in the logic resulting into the conclusion of the territorial principle.

(i) Private international law theory

In the scene where private international law is applied, since the rule itself is prescribed so as to have universal character, inconsistency and contradiction may occurs between the rules of each country so that the issue of selection of the applicable national law. Among private international law specialists, it is though to be common that as a result of determination of applicable national law according to the private international law, including intellectual property matters, the territorial principle that the patent right of each country works as exclusive rights in the country is concluded (Hereinafter called "private international law theory")(*24).

From viewpoint of the private international law theory, Article 11, the second paragraph(*25) of Horei becomes a problem in case of claim for damages in an unlawful act. Overwhelming criticism to the judgment of the Manchurian patent case is generally that the fact that should be taken up according to Article 11, the second paragraph of Horei is "an act infringing a Manchurian patent right in Manchuria" and the

(*21) Report of the Special Commission, drawn up by the Peter Nygh and Fausto Pocar (Prel. Doc. No. 11 for the attention of the Nineteenth Session)(2000) at 73. For the report, see the official website of the Hague Conference supra note 1. A Japanese translation of this report is published in Kokusai-shouji-houmu Vol. 29, No. 2, p.164 (2001) and subsequent issues.

(*22) Section 443 (1) of the Restatement Third on the Foreign Relations Law of the United States (1986).

(*23) supra note 19.

(*24) For example, Ryouichi Yamada, "Kokusai shihou", Yuhikaku, p.341 (1992); Akira Saito, "Heikou yunyuu niyoru tokkyoken shingai" Hougakukenkyusho-kenkyu-sosho of Kansai University, Vol. 15, p. 47 (p. 56)(1997).

(*25) Article 11 the second paragraph of *Horei*:
As to unlawful acts, the preceding paragraph shall not apply, where facts occurring in a foreign country are not unlawful under Japanese law.

claim should be admitted.

(ii) Substantive law theory

There is another theory that considering the territorial principle as substantive law character of the patent right itself of each country, it provide the exclusive rights in that country (hereinafter called "Substantive law theory"). Since the patent right of each country is not contradictory and does not conflict mutually, there is no necessity for private international law, and no problem of Article 11, the second paragraph of Horei does occur.

Among patent law specialists, it is natural for patent right to be valid only in a registration country(*26), and it is common to take a view of substantive law theory(*27).

(3) The Card Reader Case

In the Card reader case, the problem since the Manchurian patent right case has not been fully solved.

(i) Claim for injunction

The point that the Tokyo District Court examined the case in view of private international law and selected the U.S. Patent Law is considered to be the meaning "As a foreign patent right is asserted, it is necessary to judge on whether such right has the effect", which is connected to the substantive law theory. Based on that, the court considered the point that the U.S. Patent Law is also setting the act in a foreign country as a subject of contributory infringement as the problem of private international law.

However, if private international law is considered first, the territorial principle should be derived from it, and if the territorial principle can be considered apart from private international law, so should be considered from the beginning.

It is understood that the Tokyo High Court adopt substantive law theory by presupposing hat there is no problem of determination of governing law. It is thought that supposing "a national court cannot be asked for the prohibition and destruction based on a foreign patent right" is derived from the idea that the injunction to an act in a foreign country is considered as an infringement of sovereignty, but it is hard to agree.

(ii) Claim for damages

It can be understood that Japanese law was applied to a domestic act according to Article 11 of Horei for dismissing the claim for damages (*28).

However, on the assumption of such a point of argument, it is a question what logic and conclusion shall be adopted to a claim like the Manchurian patent case.

A further problem is that the claim for damages was separated from the claim for injunction on consideration. When conclusions are different, it is questionable that whether the exclusive right is affected, or whether an infringement act is against such the exclusive right.

(iii) A conclusion to admit a joint tort

According to the substantive law theory, since the actual infringement act in the U.S has occurred in response to the domestic act, the meaning of the U.S. patent right is extended as a joint tort, and it is thought that it was appropriate to affirm the liability for damages.

On the other hand, the U.S. patent right should not be affected to the claims for injunction. Although courts in the U.S. has own discretion generally for injunction of patent infringement and it is provided in Article 271 (b) of U.S. Patent Law as "liable", it is not provided for that it shall be prohibited.

(4) The View Criticizing Admission of Jurisdiction

From the risk to be litigated and the rejection to judgment by a foreign court, there is criticism in admitting international jurisdiction to enforcement of foreign patent right under the Convention.

However, it is not considered to be the right direction to cope with a case to be lost if it were an infringement under substantive law as a problem of jurisdiction.

Aiming at the Convention that denies making competence of foreign courts broad, such a Convention will only not be enacted. It is realistic to affirm such jurisdiction in principle with necessary restrictions, aiming at avoiding the increase of the litigation opportunity in foreign countries.

In this relation, it is necessary to secure the situation where the jurisdiction of Japanese courts is admitted to the extent to harmonize with that of each country.

(5) Treatment of Defense of Invalidity

The problem that Japanese courts are not admitted to judge the validity of a foreign patent has been pointed out. However, it is unreasonable for defendant to have to seek for invalidation procedure in a registration country, since it become meaningless for infringement proceedings is admitted in Japan.

(*26) 35 U.S.C. § 271(a); Article 69, the second paragraph, no. 1 of Japanese Patent Law.

(*27) See, Naoki Matsumoto, "crossborder injunction ni tsuite" edited by Shimizu-Shitara "Gendai saiban hou taikei Vol. 26 Chitekizaisan", Sin nihon houki shuppan, p.46 (1999).

(*28) Naoki Matsumoto, "Tokkyoken no kouryoku ni kansuru kokusaiteki mondai", Tokkyo Kanri, Vol. 43, No. 3, p.263 and No. 4, p.453 (1993).

It is only originated from conventional authority distribution with the Japan Patent Office that Japanese courts do not judge validity. If it is understood that it is only to certify the status of right based on the law of the registration country, it is considered to be original principle that validity judgment shall be possible.

Although the effect of invalidation judgment in a infringement lawsuit over the country border shall be limited to the parties concern only, it is though that if the patent is invalidated in the lawsuit which the complainant chose, so will be treated subsequently.

5 The issue of Jurisdiction to Infringement Lawsuit in the Draft Hague Convention — Comparison between Adoption of Exclusive Jurisdiction and Ordinary Jurisdiction

(1) Introduction

It cannot be said that the position that understands an infringement lawsuit to be subject to the exclusive jurisdiction of a registration country is the mainstream in current legal practice of major countries including Japan(*29). However, when considering a new system of international convention, it will be an alternative. Therefore, the problems will be outlined below, depending on whether or not adopting exclusive jurisdiction for infringement lawsuits.

(2) Brussels Convention

Article 16, the fourth paragraph of the Brussels Convention used as the model of the draft Hague Convention provides that a lawsuit for registration or validity of patent right etc. shall be subject the exclusive jurisdiction of a registration country. On the other hand, the official report of the Brussels Convention mentions that the infringement lawsuit shall be subject to ordinary jurisdiction by regarding an unlawful act(*30). The European Court of Justice(*31), which is the organization for official interpretation of the Brussels Convention, held that the lawsuit not aiming at the validity of patent right, or the existence of registration or deposition itself was not subject to exclusive jurisdiction under Article 16, the fourth paragraph(*32).

(3) In Case of Adoption of Exclusive Jurisdiction

(i) Viewpoint of law of legal procedure

There is an opinion that in order to avoid a risk of validity judgments being contradictory due to international parallel pending together with invalidation lawsuit, an infringement lawsuit should be also subject to exclusive jurisdiction of a registration country. From such a viewpoint, however, other lawsuits related a patent matter, such as a lawsuit concerning licensing agreement, must be also subject to exclusive jurisdiction.

(ii) Adoption of exclusive jurisdiction and the territorial principle

There is a question whether the territorial principle is also applied to jurisdiction issue. The first idea for adopting exclusive jurisdiction is a viewpoint of exclusive jurisdiction in rem from the sovereign character of the subject matter that the constitution of infringement is closely related to validity and the scope of right protection is provided by the law of registration country.

The second idea is a view point of inherent jurisdiction that It is a viewpoint inherent to jurisdiction from the rationality of lawsuit procedure that the court of a registration country can judge the most appropriately. In the case of the latter, it is not necessary to forbid a lawsuit in a foreign country closely related to the case, and it becomes close to the view of ordinary jurisdiction.

(iii) Practical problem

In case of exclusive jurisdiction, even if a jurisdiction is agreed between the parties concerned by the contract etc., in order to confirm an infringement in a lawsuit, the institution of the lawsuit must be made in the registration country. Except the registration country, since defense of infringement in a lawsuit should be subject to exclusive jurisdiction so that it becomes a problem to adjust with the exclusive jurisdiction of the registration country, an infringement lawsuit as a counter action cannot be raised.

There is an strongly increasing trend that the disputes concerning intellectual property rights occurs in relation to dispute of other various areas. Leaving only the portion concerning infringement to a registration country divides dispute settlement procedures, and it is

(*29) See, Institute of Intellectual Property, "Chiteki zaisan funsou to kokusai shihou jou no kadai ni kansuru chousa kenkyuu (Research and Study on Issues Related to Intellectual Property Disputes and Private International Law)" Sangyo-kenkyusho (2000)).

(*30) Kansai kokusai minji soshou hou kenkyu kai, "Minji oyobi shouji ni kansuru saiban kankatsu narabini hanketsu no shikkou ni kansuru Brussels jouyaku koushiki houkokusho [zenyaku][4](The official report of the Brussels Convention on jurisdiction and the enforcement of judgments in civil and commercial matters [a complete translation][4])", Kokusai shouji houmu Vol. 27 No. 10, p. 1186 (1999).

(*31) The Court of Justice of the European Community.

(*32) Duijnstee v Goderbauer Case 288/82 EuGH 15.11.1983 Slg. 1983, 3663,3677.

disadvantageous for speedy and effective resolution. For an individual right holder without funds etc., institutions of lawsuit for every registration country may bring a difficult situation.

(iv) Mediation possibility

By adopting exclusive jurisdiction, the right to free disposition concerning the dispute settlement between the parties concerned is constrained, and it produce an interpretation that denies possibility of mediation for infringement case which is not the subject to be dealt with in the New Hague Convention.

(v) Adoption of exclusive jurisdiction and current law system of Japan

According to Article 2, the first paragraph (b) of the draft Hague Convention, even if all the parties concerned with a lawsuit are habitually resident in the country where the court is located, the provision regarding exclusive jurisdiction shall apply. With adoption of exclusive jurisdiction, our country is obliged to change judicial precedent.

(vi) Evaluation of adoption of exclusive jurisdiction

By adopting exclusive jurisdiction, a jurisdiction country becomes clear uniquely and it becomes easy for the parties concerned to predict the jurisdiction. On the other hand, there is a concern that the protection of intellectual property rights that becomes increasingly important in international trade may be weakened.

(4) In Case of Adoption of Ordinary Jurisdiction

(i) Relationship with invalidation lawsuit

Since the judgment concerning the supplementary point at issue does not have res adjudicata, the collision of the effects of judgments by the parallel pending of an infringement lawsuit and the invalidation lawsuit is not produced so that institutional inconsistency is avoided. However, since the result may differ depending on that either one of the lawsuits is decided earlier, it is a problem whether parallel pending of lawsuits is persuasive for the parties concerned, also from the viewpoint of litigation economy.

Although Article 22 of the draft Hague Convention admits the discretionary suspension of lawsuit based on a request of the parties concerned in competing jurisdictions (*lis pendens*), a problem remains in whether the adjustment function between related lawsuits can be achieved by a process like forum non conveniens.

(ii) Some jurisdictions requiring consideration

Adoption of ordinary jurisdiction increases the number of countries where an infringement lawsuit can be instituted and may causes the confusion on an interpretation and application of a convention with regard to jurisdiction. The following two jurisdictions especially require consideration.

① Jurisdiction to torts or delicts (unlawful act) (Article 10)

It is an important issue where the place of the act or omission and the place where the injury arose are recognized.

In infringement of patent rights, with respect to the place of tort, in relation with territoriality, according to one view, there can be no infringement in other countries than the registration country and no unlawful act. In another view, the territorial character of right does not geographically limit constitution of the infringement act itself, and the place of unlawful act is potentially expanded.

The similar possibility can be said for the place of injury, the official report of the draft Hague Convention indicates a limited view observing the registration country by suggesting that, in general, only ultimate damage can be related with an infringement act.

Paragraph 4 of this Article originates in a judicial precedent(*33) of the European Court of Justice, and with respect to a type of the damage diffusion type unlawful act (multi jurisdictional tort) which cause infringement of right and damage of the same victim in two or more countries by a single act as matter of fact, such as a defamation article, limiting that the courts of the State of the injury have jurisdiction only for an injury which occurred or may occur in that State. it admits jurisdiction to all damage by a defendant's act occurred in other countries in the country in which the victim is habitually resident and the injury occurred, if the injured party has his habitual residence in the country where damages are claimed, the court seised will be competent to rule on the whole of the damage.

② Jurisdiction to multiple defendants (Article 14)

Concerning jurisdiction to a joint lawsuit involving multiple defendants, there is a concern that it produces a jurisdiction beyond anticipation of the defendants in a country which has less relationship with the case, and it contains a possibility of allowing forum shopping broadly.

The official report has suggested that "a serious risk of inconsistent judgments" in the requirements for jurisdiction annexation includes when the findings of fact in relation to the same issues on which they are based, are mutually exclusive, and the relation of a n ordinary joint lawsuit may also be subject.

(iii) Adoption of ordinary jurisdiction and the

(*33) The decision of Shevill v Presse Alliance case on March 7, 1995 (C-68/93) [1995]ECR I-415.

current legal system in Japan

Adoption of ordinary jurisdiction is contradictory to neither current laws and regulations nor judicial precedents in Japan. It is thought that a problem is caused in application of governing law. There is a question in the practical meaning to affirm jurisdiction only, while judicial precedents in Japan are indefinite and unstable with respect to the substantial governing law and its application for infringement cases. A theoretical elucidation and deployment of suitable practice are hurried about the relation between the territorial principle and the conflict of laws.

(iv) Evaluation of adopting ordinary jurisdiction

Adoption of ordinary jurisdiction is positioned towards strengthening and rationalization of the framework of international protection of intellectual property rights, and it is usually desirable in the future, but the formation of ordinary jurisdiction with the present condition is though as being a little premature.

(5) Jurisdiction not Accepted in the Legal System in Japan

The draft Hague Convention defines jurisdictions that are not accepted in a positive law system in Japan according to judicial precedents or theories. The jurisdiction to provisional and protective measures of the country having jurisdiction to the merits of the case (Article 13, the first paragraph), and jurisdiction to third party claims (Article 16) are not directly related to the issue on adopting either exclusive jurisdiction or ordinary jurisdiction of an infringement lawsuit, but includes an important problem which should be taken into consideration on international intellectual property right infringement disputes.

(6) Conclusive Consideration

Concentration of infringement lawsuits to the U.S., which is concerned, is caused for the tactics in which it advantageously uses a lawsuit system and practice peculiar to the U.S. during the course of settlement negotiation of a dispute. In adopting exclusive jurisdiction, it will be unchanged to take tactics to obtain the de fact judgment effect in the U.S., and negotiate also foreign patents.

Although it is thought that adoption of ordinary jurisdiction is effective in the future, for enjoying the actual result of reinforcement of protection, it is indispensable for the stable practice for application of the international, substantial intellectual property law to be fixed. As realistic accommodation at a present stage, it can be considered to adopt exclusive jurisdiction.

In the draft Hague Convention, since an organization for official interpretation of the Convention is lacked(*34), an interpretation may be different from Contracting State to State, so that it is necessary to clarify interpretation standards by interpretation regulations, protocols, guidelines, etc. Moreover, it is thought that the adjustment system according to regulations of related lawsuit is also required.

Although there may also be an alternative to exclude intellectual property right disputes from the provision for substantive scope of the draft Hague Convention to place it outside the Convention, a question remains about the rationality.

6 The Draft Hague Convention from Practical Aspects

(1) Necessity for the Convention itself

Each country do not have the "law of international civil procedure" as an independent statute law, but private international law in Japan is specified by the Law of Civil Procedure, Law of Civil Execution, etc.

There is no substantive enactment about the conditions "to admit jurisdiction of a foreign court according to statute or treaty" (Article 118, No. 1 of the Law of Civil Procedure). The concept of traditional jurisdiction such as the defendant's address, property's location, the place of unlawful act, which have been admitted in many countries as well as Japan, is affirmed or denied its application in individual cases, according to specific validity, such as fairness between parties concerned, justice of law interpretation, litigation economy, speediness and efficiency, and predictability for assailant.

It is doubtful to conclude that in international parallel lawsuits, giving a priority to a judgment of Japan, and refusing execution of an earlier foreign judgment agrees with public order rule (the same Article, No. 3).

Without a bilateral treaty, a mutual guarantee (the same Article, No. 4) cannot be confirmed until either one of countries sets a precedent of recognition and execution. It is a question why it has taken long time and effort for a Japanese court to accept the mutual guarantee between Japan and Germany in a case(*35) that the execution of a German judgment had been requested for with respect to a case claiming for a contract fee, considering that the provision for recognition and execution of a foreign judgment of Law of Civil Procedure inherits that of the German Law of Civil Procedure, related provisions of both laws

(*34) Article 38 of the draft Hague Convention (Article 39 and Article 40 as alternatives) stipulates measures for attempting to unify interpretations of the Convention.

(*35) Nagoya District Court, February 6 1987, Ralex Brevetti S.A. v Kitagawa Kogyo.

were almost the same over about 100 years, and the position of the then Supreme Court judgment (June 7, 1983).

It is desirable from a viewpoint of international legal stability to establish an agreement by the multilateral treaty early about the matters in which there has already been international consensus among the international civil lawsuit cases and a principle of law.

(2) Jurisdiction to Intellectual Property Lawsuit and Recognition and Execution of Foreign Judgment

However, except for the region within European Union (EU), no consensus of each country has been made about jurisdiction, litigation proceedings, and recognition and execution of foreign judgment concerning international intellectual property lawsuit, especially patent lawsuit.

(i) Substantive law and procedural law of venue

The draft Hague Convention does not treat the selection rule of substantive law and procedural law of litigation proceedings of venue. However, when proceeding with a foreign patent right according to the law of civil procedure of the venue, it is a question whether or not interpretation and its application of the patent right, and the result of the lawsuit are the same as that of a lawsuit of the registration country, and there is a big risk.

Firstly, the difference in the system of venue country or its discretion makes prediction of the litigation proceedings and its result difficult. As an aim of patent lawsuits is to exclude competitors from a market in many cases, and the value amount of lawsuit and legal costs are high, a patent lawsuit results in the life-and-death problem of a company depending on a result.

Secondly, novelty, inventive step, first to file or first to invent principle and the scope of the doctrine of equivalent, the right of prior use, defense of violation of the Antimonopoly Law, defense of patent misuse, etc. are patent systems which each country has developed for taking balance with other social and economy system and policy. Even if a law of the registration country is formally applied as a governing law, a judgment is influenced by legal idea of the venue country and used for competition of the parties concerned on the world scale. A patent lawsuit has an aspect of the economic competition between companies and between nations, and has a similar character to a private lawsuit for violation of Antimonopoly Law etc.

Thirdly, the draft Hague Convention aims at the confirmation of jurisdiction and recognition and execution of foreign judgment by the concept established internationally. The concentration of lawsuit theory and efficiency of lawsuit theory is not the original purpose and should be avoided.

(ii) Legal aspect like real right

The essence of patent right and so forth is in right to claim for exclusion of disturbance like a real right, and the right to damages is remedy to infringement of a right like a real right. Although the right to claim for damages based on law of tort does exist, which does not extinguish a nature like real right. The position of emphasizing the nature as a general tort of intellectual property rights infringement cannot explain the consistency with that a claim for prohibition has not been admitted in principle for tort.

(iii) Social and economical right aspect

It is clear from the difference between the trilateral of Japan, the U.S. and Europe, for instance, with respect to patents relating to genetic engineering, program, business method, etc. that the difference in the requirements for patentability such as judgment on inventiveness is depending on economic and industrial policy of each nation.

It cannot be confirmed whether fair and reasonable dispute resolution is achieved by way of "just based on the governing law of a registration country", and whether the system that a foreign judgment can be recognized by the registration country without getting into the contents can be achieved. That the same court judges infringement and validity can secure the foreknowledge possibility of the parties concerned with a later dispute and legal stability.

(iv) Jurisdiction to "regular commercial activity"

According to the U.S. proposal for Article 9 of the draft Hague Convention, if a defendant is performing the regular commercial activity, a jurisdiction is also admitted to the country without a branch of the defendant. Since this jurisdiction will be exercised with flexible applications similar to the Long-arm Act in the U.S. after adoption, and influences remarkable in the patent lawsuit against especially a foreign manufacturer as a defendant, it is necessary to consider this proposal very carefully. If this proposal is refused, exercise of the present jurisdiction will be narrowed for the U.S.

(v) Possibility of proceeding with patents of multiple countries in the defendant's resident venue

It is not necessary to deny a trial for patent rights of multiple countries in a country, in the case of a defendant's ordinary jurisdiction (Article 3) or agreement jurisdiction (Article 4). In a defendant's ordinary jurisdiction, it is unlikely so much inconvenience for the defendant to gather information of method of evidences and defense. Ad hoc agreement of jurisdiction after a dispute arises should be respected. In this case, validity of the right should be judged only as incidental

questions. Additionally, in case of a defendant's ordinary jurisdiction or agreement jurisdiction, it is a question whether the provision of Article 18, the first paragraph, of the draft Hague Convention is so interpreted as not to create a jurisdiction to trial for patent infringement outside the country of the venue so that it becomes an obstacle.

(vi) E-commerce or Internet related lawsuit

In relation to forms of infringement and manner of remedies, the framework of the draft Hague Convention based on conventional forms of lawsuit has difficulties in identification of a defendant, confirmation of the address, delivery method and execution method. Even if a jurisdiction is found anywhere of Contracting States, and a complaint is filed and served, it will be difficult to find an infringement under the law of any country, in case that an act which is infringing patent is carried out by distributing into several Contracting States. Probably, it will be required to consider a separate convention handling substantive law and law of civil procedure for a contract lawsuit and intellectual property right lawsuit relating to E-commerce (electronic commerce).

III The Governing Law on Intellectual Property Right Infringement

1 The Governing Law on Intellectual Property Right Infringement - around Germany

(1) Introduction

The question of the governing law in Germany is determined according to the German Implementation Law of Civil Matters (EGBGB). Articles 38 to 46 of this law were inserted by the amendment law of February 1999, and Articles 40 to 42 have made the governing law on unlawful act flexible. With regard to intellectual property right for which a common keyword called territoriality becomes an issue, when considering the governing law, it is necessary to be based on the argument on international jurisdiction. The view, by quoting the territorial principle, that foreign intellectual property right infringement cannot be sued domestically, had been conquered one by one with regard to trademark, patent, and copyright after the 1930s. While there is a judicial precedent(*36) in the U.K. which held that only a registration country can judge the validity of a right, in case that it is the main point at issue, many of other European countries show the tendency similar to that in Germany.

When considering the territoriality of intellectual property at the present time, there are elements to be considered such as globalization of the market and formation of a common market in the European Community/European Union (EC/EU), technical development including spread of satellite broadcasting and the Internet, approximation of laws in EC/EU, and adjustment of substantive laws and regulations and equalization of a protection level through the TRIPs agreement, etc. Depending on how to understand the basis of the territorial principle, the view of the influence by change of these situations also changes.

(2) Governing Law on Intellectual Property Rights

According to the present judicial precedents and a popular theory, the governing law on intellectual property rights is supposed to the law of the country where the protection of the right is requested (hereinafter called a law of protecting country), regardless of kind of right. From the provisions inserted into EGBGB by the amendment law of February 1999, the governing law regulation, which was in Article 46 of the draft amendment law and stated that protection of intangible property right was based on the law of the protecting country, has been dropped so that the German national law lacks its express provision.

(i) Patent

The German empire court (RG) already accepted the territorial principle in 1890.

(ii) Trademark

RG adopted the territorial principle in the Hengstenberg judgment in 1927.

(iii) Copyright

The German Federal Supreme Court (BGH) follows the theory that E. Ulmer published in 1975, in which that a protecting country law is appropriate according to the principle of the national treatment in the Berne Convention. Although there is also a persuasive opposite theory with a small number, this theory is supported by a majority opinion.

(iv) Design

In the Continental law system countries, design deposition and registration system has been developed on the basis of the principle of non-examination from its copyright nature. In the U.K., Design right requiring no registration is also provided in the law of 1988. In Germany, a design is in the boundary domain of industrial property and copyright, and there is also an opinion that application of a treaty becomes an issue in both

(*36) Coin controls Ltd. v Suzo International (UK) Ltd. [1997] 3 All E.R. 45.

domains.

(v) Private international law in Europe

Although there are countries such as Austria, Spain, Switzerland, and Italy where intangible property right is governed by the protection country law without distinguishing the right by the kind, there are also countries such as Portugal and Rumania where industrial property right is governed by the protecting country law and copyright is governed by the law of its original country.

(3) Governing Law on Intellectual Property Right Infringement

The issue of modality determination concerning intellectual property right infringement under private international law should be determined, according to a majority opinion, from an independent position of private international law.

(i) If it is regarded as a special domain for an international unlawful act, the place of act and the place of injury are not separated but the governing law is in agreement with the law of the protecting country law based on strict territoriality. It is not influenced by relaxation of the place of unlawful act principle.

(ii) If it is regarded as an issue of the effect of intellectual property right, it is exclusively determined by the protecting country law. Here, there is a meaning to minimize influence of making flexible by the amendment law of February 1999.

(iii) In conventional popular theory, while the requirements and legal effect of infringement are regarded as an issue of an unlawful act, existence of a right, its contents, and its scope of protection are also regarded as the first consideration to solve the problem. However, dominant was the opinion that from strict territoriality there is no room for the law of habitual residence common to the parties concerned, if there is no infringement according to the governing law on intellectual property right itself. After all, as the issue on which a difference will arise if it is regarded as an unlawful act is narrowed down to ex post selection of the governing law which has effect only between the parties concerned mainly according to Article 42 of EGBGB, it is supposed not necessary to dare deny the view of regarding it as an unlawful act.

(4) Theoretical Bases of Territoriality

The theoretical bases of the theories in Germany concerning territoriality are classified into four categories.

(i) View directly based on international treaty

The view supposes that the principle of the national treatment of Article 2 of Paris Convention includes a regulation on conflict of laws, which defines that a foreigner complies with a protecting country law(*37), and is leading among German scholars of intellectual property right.

(ii) View based on administrative act theory or sovereignty theory

The theory supposes that a nation can give an exclusive right only within the region by granting a patent, a trademark registration, and sovereignty copyright legislation, etc., and the effect of a right cannot cross the border.

(iii) View based on the legal nature as intangible property

The view supposes that intellectual property right has a nature that it is intangible and may exist anywhere, and exists in a regional body with unlimited and independent right holders.

(iv) View on economical basis in relation with market

In this view, the territoriality is close to area dividing in the regional market. In a theory concerning identity of the current market and consuming region, exhaustion of intellectual property right is connected with the border of a market. If foundation of a new common market by IT revolution, the existing common market, foundation of world market under the WTO will be viewed toward the future, it is necessary to reexamine the territorial principle in relation with a market.

In this respect, the argument(*38) by Hanns Ullrich attracts attention, who explains the functional change of the territorial principle due to the narrowing range where member country can determine independently under the TRIPs Agreement of the WTO, and the necessity to review the territorial principle as the principle under which the governing law is determined by the market where a right is related.

(5) For Conclusion

With respect to the cases that an infringement act is conducted in multiple countries, or reaches to multiple countries as a distant unlawful act, sample cases questioned in judicial precedents in Germany, etc. are classified in stereotype and considered. For example, when a patented product is partially manufactured domestically and is assembled only in a foreign country, there are three cases where that portion is: ① an intermediate portion not special to the invention; ② a portion representing the inventive

(*37) Shoichi Kidana, "Kokusai Kogyou Shoyuken hou no kenkyou" Yuhikaku, p. 71(1989).

(*38) For introduction of this argument, see Shoichi Kidana, "TRIPs kyotei ni yoru chiteki zaisan ken no hogo no igi to mondaiten - TRIPs kyotei ni okeru zokuchi-shugi no gensoku wo megutte" IIP 10th Anniversary kinen ronbunshu "21 seiki ni okeru chitekizaisanken no tenbou", Yushodo Shuppan, p.53 (2000).

idea; ③ a portion which clearly cannot be protected unlike a patentable element. In judgments of BGH, there is a one which affirmed infringement also in the case ③. Furthermore, it is necessary to pay attention to the future judicial precedents how the territorial principle will be relaxed in German judicial precedents.

2 The Governing Law on Patent Right Infringement Lawsuit - Peculiarity of the Argument on the Conflict of Laws concerning Intellectual Property Rights

(1) Introduction

Under the long custom of business practice suing for a patent of each country in that country according to the patent law of that country, there has been no room to actually examine the issue of international jurisdiction or governing law. Such the situation is changing a lot with the existence of the draft Hague Convention. Furthermore, the arrival of the age when intellectual property rights of various countries are infringed by one act on the Internet makes consideration from viewpoint of the conflict of laws on all the intellectual property rights indispensable.

However, in the latest arguments, there are not few that are contested with regard to consistency with arguments in private international law and the principle that the arguments premise. The reason for such mismatching to be caused will be clarified.

(2) Basic Legal Structure of Private International Law

The arguments in private international law and the principle that the arguments premise are reviewed. The classification a "private law related legal relation" and a "public law related legal relation" is made here for convenience' sake and is not necessarily in agreement with the classification on Japanese substantive civil law.

Firstly, the object of governing law selection which the private international law (in a narrow sense) represented by Horei handles are limited to only the "private law related legal relation" with a low level of governmental authority nature, such as the Civil Law and the Commercial Law, but the "public law related legal relation" with a high level of governmental authority nature, such as the Constitution, the Criminal Law, the administrative laws, and the Antimonopoly Law are not an object.

Secondarily, private international law disregards the intention of a substantive regulation, and selects the governing law in such a manner that it resets up by itself the geographical scope of the substantive regulation concerned. In the "public law related legal relation", for example, the applicable scope of the Antimonopoly Law of each country is restricted to the geographical territory of the country. Like recent years, when applying across the geographical territory, conflict of law is avoided as much as possible in consideration of the intention of the substantive regulation concerned. The issue of "extraterritorial application" is an argument that is only possible in the "public law related legal relation".

(3) Judicial Precedent relating to the Governing Law on Infringement of Foreign Patent Right.

The logic in the judgment on the claims for prohibition and for destruction in the above-mentioned Card reader case will be verified.

The first instance judgment did not deviate from the legal framework of private international law. However, the intention of the substantive regulation concerning the geographically applicable scope was made an issue, which should be brought up only by the framework of "public law related legal relation", on the basis of "the territorial principle". There is inconsistency in the internal structure.

The second instance judgment was going to consider it in the order structure of the "public law related legal relation". Then, it is natural for the "extraterritorial application" to be discussed. It is appraisable in the point that there is no inconsistency in the internal structure. But it is another issue whether it is right to position the claims for prohibition and for destruction as the "public law related legal relation".

(4) Theory concerning the Governing Law on Foreign Patent Right Infringement

In the arguments in Japan, the order structure of conflict of laws that the arguments premise is different depending on the theory.

(i) Position considering in the framework of the "public law related legal relation"

① The first theory(*39) explains that private international law is not necessary in principle, since the patent law of each country does not conflict mutually. However, it suggests that geographical scope of exclusive rights has some extension so that adjustment is necessary about the collision with the law of a foreign country. Furthermore, it is suggested that a kind of extraterritorial application should be recognized in the Japanese Patent Law and the U.S. patent law that admits the extraterritorial application should be recognized.

(*39) Matsumoto, supra note 27.

② The second theory(*40) supports the opinion that understand intellectual property right law as is take on a public law nature. It suggests that the patent law of each country essentially draws the geographical scope, which is limited in that territory. It suggests that application of the patent law of a country in a foreign country has a possibility of spoiling the industrial policy of that foreign country concerned, and that it is not necessary to follow the intention of one-sided extraterritorial application of a foreign law. In this theory, there seems to be confusion of the internal logic in the point that it is going to carry out the order of conflict of laws in the "public law related legal relation" through *Horei*.

(ii) Position considering in the framework of the "private law related legal relation"

① The third theory(*41) criticizes that the approach like territorial principle, restricting the geographically applicable scope of law only within the territory, hinders a new development of law. On assumption that all international civil cases shall designate the governing law by applying private international law, it explains that the first instance judgment of the Card reader case is, apart from the conclusion, appropriate in the thread of the theory.

② The fourth theory(*42) stands on the premise that the territorial principle works at least in two different meanings: (a) the principle on the substantive law that the effect of a patent is admitted only in the registration country and the principle on conflict of laws that establishment, effect and expiration of a right are ruled in the law of the registration country; and (b)the existence on the public law applying only its own national law chiefly only to an act within its own territory of a country. Then, it questions whether Horei is applicable to the latter case. The point of criticizing the motion of the public order rule in the above-mentioned first instance judgment also attracts attention.

However, if the results from application of a foreign country law and a Japanese law differ remarkably, there may be the possibility of the motion of the public order, and if the nature of the case is determined as an "unlawful act", there may also be room of the motion according to Article 11, second and third paragraphs of Horei.

③ The fifth theory(*43) determines the legal nature of patent right infringement as the effect of an unlawful act. It states that the extraterritoriality provision of the U.S. Patent Law is a one-sided rule on conflict of laws so that it should not be applied, even if the U.S. law is chosen, and confirms that as long as it is in the framework of the "private law related legal relation", it is natural that the intention of the substantive regulation is disregarded.

(5) The Territorial Principle

Professor Kazunori Ishiguro explains the necessity of conceptual arrangement, by stating "the word territorial principle is polysemic and 'the word is misleading and better not to use'" (*44). Especially, with respect to the above-mentioned judicial precedent, he supposes that the theoretical arrangement between general processing of conflict of laws and the territorial principle of intellectual property rights is not enough(*45).

Concerning the above-mentioned first instance judgment, Professor Ishiguro supposes that it must have been enough to dismiss the claims from the territorial principle by applying Article 11 of *Horei*(*46).

As to "the territorial principle (Zokuchi shugi no daigensoku)", Professor Ishiguro states that when the governing law is determined in a law of civil affairs area, the territorial principle is only a principle on which the connecting point concerning the place is adopted, but differs from a territorial principle in the so-called extraterritorial application of a national law. He says that in international lawsuit for intellectual property rights infringement, the territorial principle in the former sense is appropriate in the meaning of applying the law of the closest place to the infringement act concerned (Article 11 of *Horei*). A possibility of having argued about completely different context over "the territorial principle" cannot be denied.

Though being conscious of a relation with "the territorial principle" in the same "law of civil affairs area", Professor Ishiguro understands that "the territorial principle" is, in this case, as an important guideline leading to Japanese law selection from strong relevance with Japanese society. On the other hand, Professor Kidana (*47)

(*40) Shigeki Chaen, "Tokkyo ken shingai ni kanrensuru gaikoku ni okeru koui", NBL, No. 679, p. 13 (1999).
(*41) Saito, supra note 20.
(*42) Ohtomo, supra note 20.
(*43) Shoichi Kidana, "Chiteki zaisan kengai ni kansuru junkyohou" IIP, the report, supra note 29, p.81.
(*44) Kenichi Ishiguro, "Kokusai chiteki zaisan ken -cyberspace v real world", NTT Shuppan, p. 164 (1998).
(*45) Kenichi Ishiguro, "Joho tsushin network jou no chiteki zaisan shingai to kokusai saiban kankatsu", Tokkyo kenkyu, No. 29, p.4 (p.8) (2000) .
(*46) Kenichi Ishiguro, Hanken, Shihou hanrei remarks 2000 (ge) p. 150 (2000).
(*47) Kidana, supra. note 43.

supposes that since the aiding and abetting act infringement in Japan concerning the U.S. patent right is an act which is combined with the direct infringement act in the U.S. to likely produce the effect, an appropriate conclusion was just the U.S. law selection.

(6) Consideration

The reason why the argument concerning the governing law on patent right infringement involves such confusion is, first of all, that there is no sufficient understanding of the legal structure with respect to the "private law related legal relation" and the "public law related legal relation".

Secondly, there is such a problem as the change of argument from on "public law" basis to on "private law" basis on the substantive law involving the nature of intellectual property rights.

Thirdly, it is reflected in the argument on conflict of laws that the bifurcation of the "private law" and "public law" on the substantive law is not in agreement with the bifurcation of "private law" and "public law" on conflict of laws without thoroughly understood.

Fourthly, there is alternatives whether to consider validity judgment and the question of infringement of registered type intellectual property rights by the same order or to distinguish.

Fifthly, there is alternatives whether to consider the governing law on the claims for prohibition and for damages in an infringement case by the same order or to distinguish.

Sixthly, there is confusion involving the concept of "the territorial principle" mentioned above.

(7) Conclusion

There can be found other factors that may promote confusion of arguments in intellectual property field. For example, whether the territorial principle or conflict of laws rule exist in the Paris Convention, the issue of the regulation which should be based for solution of conflict of laws, the problem involving the method for determining the governing law on an unlawful act over multiple countries, etc. there are many opposing points.

As there have been judgments on infringement of foreign copyright in Japan such as the Tsuburaya Pro case(*48), it is highly necessary to advance arguments also on other intellectual property rights than patent right from now on, also checking the premise on which the other party is based, including the issue of governing law as well as international jurisdiction.

3 The Governing Law on Patent Infringement Lawsuit - Referring to the Approach of the U.S. Law

(1) Consideration of the U.S. Judicial Precedents

(i) Outline

In each U.S. judicial precedent on the foreign patent right infringement in which the governing law selection becomes an issue, the existence of jurisdiction at a federal court is judged on the assumption of application of the patent law of the foreign country concerned. The U.S. jurisdiction is first outlined.

(ii) Jurisdiction in the U.S.

Since the U.S. has adopted the dual system of state courts and federal courts, jurisdiction in rem is always becomes an issue. Article 10 of the amendment to the Federal Constitution has granted the primary jurisdiction to state courts. The issue on the U.S. Patent Law authorized to the U.S. Congress in Article 1, section 8, item 8 of the Federal Constitution is subject to exclusive jurisdiction of the federal courts. Therefore, if the patent law of the foreign country concerned is applied on a foreign patent right infringement case, it is primarily subject to the jurisdiction of a state court.

In a foreign patent right infringement case applied with the patent law of the foreign country concerned, a federal court has the jurisdiction in rem in the following cases: ①diversity of citizenship jurisdiction: a lawsuit between citizens of different states or a lawsuit against another nation, a foreign citizen or an alien subject, ② supplemental jurisdiction: a claim which accompanies another claim subject to jurisdiction in rem of a federal court.

(iii) Judicial precedent

In the following judicial precedents in which jurisdiction in rem of federal courts was an issue, a foreign patent right infringement case was thought as the case of unlawful act to be applied with the patent law of that foreign country concerned. In judicial precedents that denied jurisdiction in rem, the requirements for the jurisdiction based on an supplemental jurisdiction or diversity of citizenship jurisdiction was denied only to the extent of specific cases, and it does not mean immediately that the U.S. courts refuse legal relief for a foreign patent right infringement.

① Distillers Co. v. Standard Oil Co., 150 USPQ 42 (N. D. Ohio 1964)

Jurisdiction was affirmed on foreign patent right infringement on the ground that a single court must judge all the claims.

(*48) Tokyo District Court on January 28, 1999, Hanrei Jihou No. 1681, p.147; Tokyo High Court on March 16, 2000, unpublished in the case book.

② Ortman v. Stanray Corp., 371 F.2d 154 (7th Cir.1967)

As the acts inside and outside of the U.S. by a defendant were substantially similar, in consideration that the important point at issue on foreign patent right infringement was overlapping with the deliberation on the U.S. patent right infringement, the supplementary jurisdiction (ancillary jurisdiction) was admitted.

③ Packard Instrument Co. v. Beckman Instruments, Inc., 346 F. Supp. 408 (N.D. Ill. 1972)

Accepting a supplementary jurisdiction (pendent jurisdiction) or diversity of citizenship jurisdiction, on the grounds that the validity of foreign patent right is an issue, the claim was dismissed in the principle of law of jurisdiction exercise evasion (abstention doctrine) from a viewpoint of international comity.

④ Mars Inc. v. Kabushiki-Kaisha Nippon Conlux, 24F. 3d. 1368 (Fed. Cir. 1994)

Supplementary jurisdiction to Japanese patent right infringement was denied on the grounds of the differences in the claims, the infringing subject, the infringing form and the governing law between the U.S. patent right infringement and Japanese patent right infringement.

(2) Theory and so forth on the Governing Law Selection

(i) Overview

Under the case laws, from the premise that it is judged that there is no application of the U.S. Patent Law to a foreign patent right infringement case, it is reasonable to understand that jurisdiction in rem of the federal courts becomes an issue only according to the general and commonsense view on the territorial principle (the patent law of the foreign country concerned shall be applied).

(ii) Relation with the territorial principle

Whereas in the U.S., it is supposed that the patent law of that foreign country concerned should be applied to a foreign patent right infringement for reasons of the territorial principle, in the Card reader case in Japan, the Japanese law was applied on the claim for damages, and the Tokyo High Court judgment excluded application of a foreign patent law. In the judgment on the BBS case that similarly referred to the territorial principle, the Supreme Court of Japan(*49) suggested that the effect of the patent right of each country is provided for by the law of the country concerned. Thus, since mutually opposite conclusions can also be drawn, it should be noted that the concept itself called territorial principle is not a sure concept so much.

(iii) Theory

Although approached from various positions, all coincide in that a foreign patent right infringement shall be applied with the patent law of that foreign country concerned. As this substantial background, it can be pointed out that the general and commonsense feeling about already described territorial principle and the consciousness that from the American legal profession's feeling, since it is not certain how the U.S. law is applied to foreign infringement of patent rights, it is irrational to completely deny a protection like the Card reader case judgment work.

① The opinion based on Restatement (Third) of Foreign Relations(*50)
② The principle of law of the place of tort(*51)
③ Governmental Interest Analysis(*52)
④ Better Law Approach:the better law is applied from the standpoint of "socioeconomic juris-prudential standards"

(3) The Necessity to Apply Foreign Patent Law to Foreign Patent Right Infringement Case

(i) Overview

In the U.S., for the substantive reasons of the two points that it is contrary to the territorial principle and equal to deny the protection to apply the patent law of the U.S. to a foreign patent right infringement, the law of that foreign country concerned is applied. On the other hand, the judgment like the above-mentioned Card reader case judgment is equal to making Japan into the paradise for patent infringers, and extremely problematic. This point is examined on traditional patent right and network type patent right below.

(ii) Hypothetical case 1 - Traditional type patent right

Generally, the U.S. subsidiary company of a Japanese company is deficient in compensatory funds so that the claim for damages before a U. S. court in a case like the Card reader case is not effective. Although it will be necessary to execute a U.S. judgment in Japan when the Japanese company does not have property in the U.S., even if jurisdiction is admitted to the Japanese company and a winning judgment is obtained in the U.S., such a judgment is unlikely recognized for the reason that it is contrary to public order under Article 118, item 3 of the Code of Civil Procedure

(*49) 49 The decision on July 1, 1997, Minshu Vol.51, No. 6, p. 2299.
(*50) Restatement (Third) of Foreign Relations, § 415, cmt.i.
(*51) David Wille, Note. Personal Jurisdiction over Aliens in Patent Infringement Actions,: A Uniform Approach Toward the Situs of the Tort, 90 Mich. L. Rev. 658, 665 - 70 (1991)
(*52) Eugene F. Scoles & Peter Hay, Conflict of Laws, § 17.11.

and such a judgment is ineffective in consideration of the process until the execution.

Moreover, since a Japanese company can file a lawsuit for declaratory judgment on non-existence of the debt based on the U.S. patent right infringement as a counter action, it can be said that it is contrary to justice that a Japanese company will be protected through the interpretation of the governing law, in spite of substantial infringement of the U.S. patent right.

(iii) Hypothetical case 2 - Network type patent right

Company Y receives orders from U.S. customers using a server system located in Japan in such a manner so as to infringe a U.S. patent right owned by Company X(*53) (a corresponding Japan patent is pending) relating to the transaction on the network.

In this case, like the case 1, even if an patent right infringement lawsuit is filed against Company Y in the U.S. and a winning judgment is obtained, it is ineffective. Since a server itself can be installed in any country, according to the view of the governing law selection of the Card reader case judgment in Japan, protection of network type patent right will be lost remarkably.

4 The Intellectual Property in International Society and Private International Law -Direction of Practical Accommodation

(1) Development of the English Law

In English law, the posture in which copyright is distinguished from patent or trademark is not taken with respect to intellectual property right infringement lawsuit(*54). Moreover, it is thought that general private international law is applied and the nature is decided as an unlawful act. Hereafter, it will be reviewed how the English law has been overcoming the territorial handling to cope with internationalization of intellectual property right infringement.

(i) Fetters of jurisdiction

In Tyburn judgment(*55), according to the traditional framework of England distinguishing lawsuits into two types of "local" and "transitory", the foreign intellectual property right lawsuit was identified with a foreign real estate lawsuit as "local" and the own jurisdiction was denied. This classification was criticized as only a concept for justifying the policy judgment on jurisdiction, and the direction more appropriately coping with various complicated situations was suggested by the approach of the governing law selection(*56).

The governing law selection in England and its application are a flexible process by the opinion proof of a person concerned. The governing law decision process has also developed by accumulating judicial precedents. The highly flexible selection is possible after the "statute law about private international law (various rules)" of 1995 (hereinafter called the 95 amendment law).

In the Pearce judgment(*57), according to Articles 2 and 6 of Brussels Convention, the jurisdiction of an English court was affirmed to the foreign copyright infringement case in a foreign country.

(ii) Fetters in governing law selection

The Pearce case was a case before the double actionability was abolished by the 95 amendment law, in which it became the point at issue whether an unlawful act responsibility needs to be materialized also by the substantive law of the venue. Although the double actionability is a governing law selection rule, if a foreign intellectual property right infringement does not constitute an unlawful act under the English law as a result of territorial principle(*58), it will work as a jurisdiction rule in the point that makes a lawsuit in England meaningless.

In the Pearce judgment, the Court of Apeal affirmed the possibility of the relief in England by applying a foreign copyright act as the governing law. This can be read as the position accepting the exception of the double actionability on the grounds that unlawful act responsibility was affirmed in England law, if the similar case arose in England. After this judgment, the position of accepting room affirming jurisdiction of England also on such foreign intellectual property right infringement that is not subject to the Brussels & Lugano Conventions is dominant.

(iii) Suggestion to Japanese Law

It will not be necessary to adhere to the position of the Manchurian patent case any longer with regard to the governing law. The Pearce judgment is in agreement in principle with the opinion of Japanese theories that has criticized correctly the Manchurian patent case. There

(*53) For example, claim 1 of US Patent No. 5,960,411 to Amazon.com.
(*54) Fawcett & Torremans, Intellectual Property and Private International Law, 597 (1998); Diecy & Morris, The Conflict of Laws, 13th ed., Para.35-028 (2000).
(*55) Tyburn Productions v Conan Doyle (Ch. D.), [1990] 3 WLR 168.
(*56) Carter, "Decision of British Courts during 1990", 61 BYIL 401-402 (1990).
(*57) Pearce v Ove Arup Partnership [1999] 1 All E.R. 769.
(*58) The same theoretical structure as also adopted in the Manchurian patent case.

seems to be no objection in this position(*59) as an interpretation theory of Article 11 paragraph 2 of Horei.

In order for the world to progress to a single market, it is necessary to go into establishment of the international uniform system for intellectual property. As a legal process for the transitional situation, a big role is expected to a flexible accommodation by governing law selection.

In such a meaning, the first instance judgment of the Card reader case applying a private international law rule to the claim for prohibition to select the U.S. law as the governing law deserves attention. New development of English law which can be said also as the mother law of Article 11 of Horei encourages radical guide in such a direction.

(2) The Internet and Governing Law Selection on Copyright Infringement

(i) Innovativeness of the Internet from viewpoint of the governing law selection

Unlike the international broadcasting involving an active broadcaster and a passive receiving person, an interactive relation may be established between an operator of a homepage and a visitor in the Internet, and it seems that the distinction itself of the issuing place of a work and its distribution location almost lost the meaning. In addition to the situation that it is not clear whether Article 5, paragraph 2 of the Berne Convention defines the governing law rule in such a case, the drafting persons of the Berne Convention could not predict the present situation involving the Internet. At present, not adhering to the pursuit of the drafting intention, but it is thought that a radical teleological interpretation shall be allowed, unless it is contrary to the wording.

In cyberspace, a work is an entity separated from a "goods". Since the data created by him/herself can be transferred to a server from anywhere in the world, it does not have so much meaning for the both sides of a copyright holder and a user where the data was created and in which country the server is located. Even if the place where a work on a homepage belongs to is physically determined, the use value of the place is doubtful from the viewpoint of the governing law selection. Therefore, if "the connecting point" has no substantial meaning of "the most closely related place" to a legal issue in dispute, it also lost a meaning to be used as a standard of the governing law selection.

(ii) Situation of theories

① Approach by governing law selection

There are a first opinion(*60) that first advancing an analysis from the position of traditional private international law, admitting a jurisdiction in the place where a work infringing copyright has been uploaded from the viewpoint of the connecting point, and the connecting point is found from the standpoint of governing law selection, and an opposite opinion(*61) that the national law of a country where the infringing work is received should be the governing law. In such a situation, disputants who advocate the method of looking for "the most closely related law"are also increasing. There are also an opinion (*62) that a method of searching for the most closely related law on the harm occurred is theoretically most satisfied, and another opinion (*63) that the place where a receiving audience layer as a mass exist is used for the connecting point as the most closely related place.

Moreover, there is another opinion(*64) that from the meaning of the national treatment that the Berne Convention and the TRIPs Agreement guarantee, the governing law selection should be made on the basis of "in which country an infringement act has most notably threatened an author's personal right or economical right".

② Idea for supranational autonomous law peculiar to cyberspace

It can be said that the idea itself of the governing law selection that is connecting the act in the cyberspace that is a "space" with no geographical restriction to a physical place is essentially contradictory to the Internet. Recently an opinion of recognizing an autonomous law similar to Lex mercatoria(*65) that is currently being supported as a autonomous law peculiar to international trading society also in cyberspace is

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(*59) Yutaka Orimo, "Kokusai shihou kakuron", Yuhikaku, p. 187 (1972).

(*60) Fawcett & Torremans, supra note 54, at 158-161; Cheshire & North's Private International Law 13th ed. At 636 (1999).

(*61) See III 5 of this article.

(*62) Ginsburg, "The Private International Law of Copyright", Recueil des cours, at 348 (1998).

(*63) Yoshiyuki Tamura, "Chosakuken hou gaisetsu", Yuhikaku, p. 252 (1998)

(*64) Geller, "Conflicts of law in Cyberspace", The Future of Copyright in a Digital Environment (Hugenholz ed.), at 32-33 (1996)

(*65) Lex mercatoria is a system of customary laws that have developed in merchant society of the medieval Europe. A new Lex mercatoria is being formed primarily for international commercial arbitration, and it is taking a dominant position now when considering establishment of the international trading laws. Refer to Hiroshi Taki, "Kokusai chusai to kokusai torihiki hou", Chuo University Press (1999).

becoming leading(*66). With respect to the dispute settlement in cyberspace, there is an opinion that an idea that the international jurisdiction in a country should be thrown away, and original institution for dispute settlement should be set up (*67), and there is also a movement that is seeking for the virtual mediation court and so forth through the Internet. It is thought that the supranational cyberspace law will develop on the basis of accumulation of dispute settlements by such ADR (Alternative Dispute Resolution).

(iii) Some consideration

There is no doubt in that the dispute settlement by a court using a national law selected according to a traditional rule occupy for the time being an important position. It is the most troublesome that for the parties concerned in the space with no nationality called cyberspace not to be able to secure predictability of application of law. On assumption that the place uploading an infringing work is a connecting point, it is comparatively easy for the infringer to artificially operate the connecting point. If a place to receive is a connecting point, it is almost impossible to predict which country it is. Those who disclose information on the Internet lose code of conduct and it may be possible to be accused as an assailant of a copyright infringement contrary to prediction. In order to secure this with the first priority, it has better to make the copyright holder to select the governing law by him/herself at the time of publication of his/her own work. Although it may be theoretically somewhat strange to admit a copyright holder to select the governing law by him/herself beforehand within the range of use of the work on the Internet, it will be the most practical solution. As to jurisdiction, it seems to be clear that an infringement of intellectual property involving the Internet is removed from application of Article 10 of the draft Hague Convention (torts or delicts), and admit jurisdiction only to a country where the defendant is habitually resident (Article 3).

(3) Conclusion

The international transparency of jurisdiction rule according to Brussels & Lugano Conventions is making forum shopping between the parties concerned increase. In order to overcome the problem of forum shopping, it is not enough just to make the governing law rule the same. Not only difference in governing substantive law but also institutional difference in procedural law as well as difference in the actual situation that surround lawsuit is important causes of forum shopping. It is one of the phenomena produced since international cooperation of other legal systems does not catch up with unification of jurisdiction rule. It shows how big actual power the unification of jurisdiction rule has. The success of the Brussels & Lugano Conventions has played a important role that promote legal cooperation in Europe. Global equalization of jurisdiction and recognition rule by the new Hague Convention will step toward one big step towards legal cooperation on an earth scale.

If using the existing court system of each country cannot be avoided for the time being, it is necessary for a court of each country to make efforts firstly to loosen the territorial principle in jurisdiction and secondly to heighten the ability to apply foreign intellectual property law as the governing law towards establishment of the supranational base. For that purpose, on the assumption that the difference in the procedural law of each country equalizes, it is necessary to secure the uniformity of "judgment" as the object of recognition and enforcement. Moreover, the importance of governing law selection will fade gradually as harmonization of the substantive law is promoted. The promotion of positive extension of principle of party autonomy or recognition of the arbitrary regulation nature of governing law rule should be argued through the front.

In the case that communication means such as the Internet are related, an establishment of supranational legal system, similarly to Lex mercatoria, probably shall be aimed in a mid term. However, the direct conclusive factor that prevents an infringement act involving distribution of music or program through the Internet is, in a short term, rather technical progress of various software and hardware, and appropriate security has been realized steadily(*68).

5 The Governing Law on Copyright Infringement

(1) The Governing Law Selection Rule on Copyright Infringement

As to the governing law on the intellectual property right infringement including copyright

(*66) The supranational law that rules the information relation there may be called Lex mediatica or Lex informatica. (Ginsburg, supra note 62, at 391 et seq.)

(*67) See Yoshinao Hayakawa, "WIPO International Conference on Dispute Resolution in Electronic Commerce" JCA Journal Vol. 48, No. 1, p.5 (2000).

(*68) As an argument that should be observed at this point, see Lessig, Code and other laws of cyberspace (1999). In Europe, it has been started to consider collecting a copyright fee from a purchaser through a manufacturer at the time of purchasing of a personal computer (The front page of the Nikkei newspaper an evening edition of January 22, 2001).

infringement, there is an opinion(*69) that the law of a protecting country is selected as the governing law based on the territorial effect principle. The law of the protecting country specifically points the law of the place of use act of intellectual property, and making this as the governing law bring a user the predictability of the applicable national law(*70). There is another opinion pointing out only the predictability for user as the reason of selecting the law of the place of use act.

On the other hand, there is an opinion(*71) that supposing intellectual property right infringement as an unlawful act, the law of the place of unlawful act is selected as the governing law according to Article 11, the first paragraph of Horei. Probably, under the territorial effect principle, the law of the place of unlawful act and the law of the protecting country may be in agreement(*72). However, Japanese law is applied with overlap according to Article 11, the second and third paragraphs of Horei.

(2) Relation with Copyright Related Treaty

If the governing law is provided in a copyright related treaty, member countries must observe the provision. In this point, the views of Article 5 the second paragraph of the Berne Convention is divided into an opinion(*73) that the law of the protecting country is provided as the governing law, and another opinion(*74) that it does not contain a governing law selection rule in any way.

In the former case, as it will be based on "the statute of the member country where the protection is required" chiefly, it will be not allowed to accumulatively apply the Japanese law according to Article 11, the second and third paragraphs of *Horei*.

(3) The Governing Law of Copyright Infringement through the Internet

The issue on protecting country (the place of use act) or the place of unlawful act in copyright infringement through the Internet will be considered.

(i) Reproducing act

When a work is generally handled on the Internet, copyright infringement becomes an issue in such cases as ① the act uploading and storing the work in a server, or ② the temporary storage of the work in the memory of the user's computer, or download by the user during browsing by the user. It is understood that in case ①, the law of the server location and in case ② the law of the user's location become the governing law, respectively.

(ii) Transmitting act

In transmitting right to the public (corresponding to Article 23, paragraph 1 of the Japanese Copyright Law "transmitting right to the public") provided in Article 8 of the "World Intellectual Property Organization Copyright Treaty" (WIPO Copyright Treaty), it is included "putting the work concerned on the state that the work becomes usable" (corresponding to Article 2, the first paragraph, No. 9, item 5 of Japanese Copyright Law "transmission enabling right"). Since such an act is conducted "in the place and time each of the public chooses respectively", the place where the public who accesses exists cannot be irrelevant.

As to the act to transmit a stored work to a user who access a server, there are a view that understanding the transmission as an act to send out the information, the law of the country where the information is sent out is applied (hereinafter "transmissing country law theory")(*75), and another view that understanding the transmission is completed first the information is received, the law of the country where the information is received is applied (hereinafter called "receiving country law theory").

In the transmitting country theory, although there is an advantage in clearly providing the governing law, it is extremely easy to change the transmitting place in the Internet the place of dispatch, and by locating a server in a country where a low level of or no copyright protection exists, the problem of so-called copyright heaven being caused can not be ignored.

In Europe, there is strong objection to the view such as the Directive concerning satellite and cable in 1993(*76) to apply the receiving

(*69) Nobuo Monya, "Chiteki zaisan ken no kokusaiteki hogo", Takao Sawaki and Junichi Akiba "Kokusai shihou no souten (shinban)", Yuhikaku, p. 25 (p. 27) (1996).

(*70) See Tamura, supra note 63, pp. 465-466.

(*71) As to industrial property infringement, Ryoichi Yamada, "Kokusai shihou", Yuhikaku, p. 341 (1992) etc., as to copyright infringement, Akira Takakuwa, Jurist, No. 1090, p. 166, (p. 168) (1996).

(*72) Shouichi Kidana, Akinobu Tansou et al., "Kokusai keizai hou (shinban)" Seirinshoin, p. 358 (1993).

(*73) Fumio Sakka, "Shoukai chosakuken hou", Gyousei, p. 535 (p. 537) (1999), etc.

(*74) Kazuhiko Motonaga, "Chosakuken no kokusaiteki na hogo to kokusai shihou", Jurist, No. 938, p. 58 (1989).

(*75) Yoshiyuki Miyashita, "cyberspace ni okeru chosakuken mondai ni tsuite" Copyright, No. 439, p. 2 (p.12) (1997).

(*76) Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, OJ L248/15.

country law as the governing law.(*77)

On the other hand, in the receiving country law theory, since the copyright laws of many receiving countries are applied, the legal relation becomes complicated and if it is going to transmit lawfully, the law of the country with the highest level of protection should be observed.

Although there are pros and cons in each theory like above, since infringement of a copyright holder's interest is realized by reception of the public, the receiving country law theory should be adopted by understanding that the transmission to the public is performed in the receiving country(*78).

Moreover, for the reason that copyrights co-exist separately and independently in each country under the territorial effect principle, it can be said that the way of thinking of the receiving country law theory that transmission through the Internet is regarded as multiple acts conducted in each receiving country is more adaptive(*79).

(4) Other Opinion concerning the Internet Transmission

As to the governing law on an unauthorized transmission through the Internet, there are advocated several other opinions than the transmitting country law or receiving country law.

Firstly, there is an opinion that in case that the audience is concentrating on a specific country (e.g. transmission in Japanese), the national law concerned should be applied(*80). However, such a situation is special and it is thought that an actual meaning is scarce. Moreover, even according to the receiving country law theory, since there is no interest of application of law for other than the specific country concerned, it is understood that only the national law concerned is applied.

There is a further opinion that as the place where property damage is ultimately generated, i.e. a copyright holder is habitually resident, is regarded as the place of injury, the governing law on unlawful act is considered(*81). In this opinion, there will be a problem in completely departing from the territorial effect principle. It will have another problem in case that a copyright holder is habitually resident in copyright heaven.

Furthermore, there is another opinion(*82) that the transmitting country law theory is put in the first place from the conciseness of right processing or the aspect of legal stability, and the receiving country law is adopted as the governing law in case that the transmitting country is a copyright heaven. However, since scope of protection may differ in every country, it is necessary to examine if a copyright holder is fully protected in the transmitting country. Moreover, although it is thought that it seems to be too opportunism and unreasonable as an interpretation theory, it can be evaluated as worth enough to examine as a legislation theory. If it should make distribution of a work smooth with scrificing protection of a right holder to some extent, in certain cases, the transmitting country law should be probably applied as the governing law, in order to attempt making right processing concise. However, considering the global nature of the Internet, it will become a necessary condition that there is international consensus.

Ⅳ Towards Adoption of the Draft Hague Convention

1 Direction of Accommodation

With respect to the draft Hague Convention, the direction of accommodation that should be taken in Japan will be examined.

(1) Whether or not Intellectual Property Infringement Lawsuit should be subject to the Convention

In order to avoid excessive jurisdiction like in the U. S., it is important to apply the provision of Article 18 (prohibited grounds of jurisdiction), the second paragraph, (e) ("the carrying on of commercial or other activities by the defendant in that State, except where the dispute is directly related to those activities), or the provision of Article 33 that stipulates that punitive damages and so forth shall be recognized only in the limit that should be admitted in other contracting states are applied to the intellectual property lawsuit, and intellectual property infringement should be considered in the direction being subject to the Convention from viewpoints such as reservation of predictability of the parties concerned with lawsuit and evasion of excessive jurisdiction of

(*77) Follow-up to the Green Paper on Copyright and Related Rights in the Information Society, COM(96)586 final (1996) at 23.

(*78) Ishiguro, supra note 44, p. 19-20.

(*79) As to jurisdiction though, see Yasushi Nakanishi, "Shuppanbutsu ni yoru meiyokison jiken no kokusai saiban kankatsu ni kansuru oushu shihou saibansho March 7, 1995 hanketsu ni tsuite" Hogakurosou,Vol. 142, No. 5, 6, p. 181(p. 212)(1998).

(*80) Tamura, supra note 63, pp. 471-472.

(*81) Norihiro Nomura and Tomoko Inaba, Hirotaka Fujiwara "Cyberspace to hou kisoku", Nihonkeizaishinbunsha, p. 125 (1997).

(*82) Sakka supra note 73, p. 552.

each country.

(2) Whether Infringement Lawsuit for a Right Required to be Registered should be Subject to Exclusive Jurisdiction of the Contracting State Where the Registration has been Applied for, or Handled Similarly to Unlawful Act.

(i) Insertion of the independent provision on infringement lawsuit

Being subject to exclusive jurisdiction of a registration country, several advantages can be considered: ① the venue becomes clear; ② inconsistency of judgments on validity in the parallel pending lawsuits can be avoided; ③ anxiety about leaving judgment to a court in other country than a registration country can be avoided with respect to infringement lawsuit of patent right which involves advanced and complicated technology and has a different scope of the granting and enforcing, etc. a right in each country. However, the exclusive jurisdiction makes jurisdiction of agreement or jurisdiction of appearance not to be admitted so as to eliminate the intention of the parties concerned, and denies defendant's ordinary venue desirable from a viewpoint of securing effectiveness.

On the other hand, if infringement lawsuit is treated similarly to the lawsuit for an unlawful act (the parenthesis of Article 12, the fourth paragraph, being deleted), since international jurisdiction is admitted in other countries than "the registration country of a right", "jurisdiction agreement or jurisdiction of appearance" and "defendant's ordinary venue", it is possible to cause a problem from a viewpoint of securing predictability for the parties concerned with lawsuit. Therefore, it should be proposed to set an provision for infringement lawsuit concerning right required to be registered, independently from the provisions for exclusive jurisdiction and torts or delicts, and explicitly describe to admit international jurisdiction to the extent of a registration country, jurisdiction of agreement, jurisdiction of appearance, defendant's ordinary venue (not admitting the other jurisdiction in the national law, either).

(ii) Consideration of exclusive jurisdiction of a registration country

If an independent provision proposed in (i) above is not set up, it is thought that coming to attach importance to the advantage of ①, ② and ③ above, and being also based on the trend of international discussions, an infringement lawsuit should be considered to be subject to the exclusive jurisdiction of a registration country.

(iii) Case where an infringement lawsuit shall be treated similarly to the lawsuit for unlawful act

Based on the situation(*83) of the present international discussion, in preparation for when an infringement lawsuit is likely treated in a similar manner as a lawsuit for an unlawful act, the points to keep in mind will be considered.

① Article 9 Branches [and regular commercial activity]

If this U.S. proposal is accepted, it cannot be denied that an interpretation that jurisdiction is affirmed without limitation is made. Therefore, it is proposed that "regular commercial activity" currently provided with a parenthesis should be deleted, so that the provision should be made to pay attention to existence of a branch and so forth.

② Article 10 Torts or delicts

(a) Article 10, the first paragraph, (b)

Since it may be interpreted as including derivative damage according to the provision of Article 10, the first paragraph, (b) "States in which the injury arose", it should be considered to explicitly describe to limit to a direct loss and to make it clear not to include derivative damage.

Moreover, the country where an injury arose by infringement of a right such as a patent right should be understood as the registration country. Therefore, it should be considered to set a provision such as "regarding a lawsuit for infringement of right required to be registered such as patent right, etc. the registration country of the right shall be regarded as the country where the injury arose."

(b) Article 10, the third paragraph

Although it is possible to bring a lawsuit even if the act or omission or the injury may occur, since there is a risk of a lawsuit being caused all over the world, it should be considered that the paragraph should be deleted

(c) Article 10, the fourth paragraph

In order to prevent forum shopping by the

(*83) In an informal meeting of the Hague Conference on Private International Law on February 1, 2001 in Geneva, as to whether the lawsuit for infringement of a right required to be registered including patent right, etc. should be considered as exclusive jurisdiction of the registration country of the right, although the final decision was under consideration with each country, in addition to Japan and the U.K. who have expressed that there has domestically been opinion for exclusive jurisdiction for some time, Australia and China also newly expressed that there was an opinion for exclusive jurisdiction, while Switzerland, France, Germany, Finland, and Sweden are maintaining the negative position to this. The U.S. has expressed that since affirming international jurisdiction in the country where is completely unrelated to a defendant has a problem from a viewpoint of personal jurisdiction, it should be carefully considered if admitting the exclusive jurisdiction of a registration country to an infringement lawsuit.

injured person, the regulation in this provision that is prepared with the meaning that limits the object for trial of a court that its jurisdiction was admitted as the country where the injury arose to the injury within the country only should be maintained.

When infringing patent rights of multiple countries with the same kind of products, the regulation in the proviso of this paragraph may be applied. However, since a burden for defendant becomes considerably great to make it excessive jurisdiction by admitting international jurisdiction in the place where the injured person is habitually resident, it should be considered to delete a proviso, or to limit to the defamation originally assumed.

③ Article 14 Multiple defendants

With respect to a joint lawsuit, it is thought that as to whether to admit a complaint for another defendant collectively in the jurisdiction that is admitted for one of the defendants, such a joint lawsuit should be only admitted with being limited to the case that there is so-called "the necessity for a unified decision (required joint action)" of the judgment, which a unified solution is needed, in consideration of the burden of the defendant who has suddenly forced a lawsuit in an unrelated foreign country. The necessity for a unified decision here is put in another way as the necessity that the contents of the judgments on right relation as the subject matter should be unified without inconsistency.

As to joint tort, it should be understood that the judgments against multiple defendants may be contradictory and it does not fall under the required joint action. For joint infringement act for the same right such as patent right, etc. and joint infringement act for multiple rights such as patent rights relating to the same invention, etc., it should be made clear that the provision of this Article is not applied.

④ Article 16 Third party claims

As to claim to a third party, since it is considered that a burden is large for a third party to be suddenly forced a lawsuit, based on the cause of jurisdiction to a direct defendant, the provision of this Article should be deleted.

Dealing with the lawsuit for infringement of the right which is required to registered such as patent right etc. in such a manner as above, international jurisdiction is thought to be admitted with limitation to "the country where the defendant is habitually resident (Article 3)", "jurisdiction of agreement and jurisdiction of appearance (Articles 4 and 5)", "the country where a branch and so forth is situated (limited to the case that the complaint is directly related to activity of a branch etc.) (Article 9)" "the country of act (Article 10, the first paragraph, (a)", and "the country where the injury arose = the registration country of the right (the rational predictability is a requirement)(Article 10, the first paragraph, (b)".

(2) Whether or not the Judgment on Validity of Right as Incidental Questions in Infringement Lawsuit before a Court other than the Registration Country should be Admitted

Two alternatives are considered for infringement lawsuit, ① judgment on validity of a right is not admitted and a right is treated as valid, ② judgment on validity of a right is admitted as effective only to the parties concerned.

In order to provide a defendant with an opportunity to assert the defense of invalidity of right and to secure a proper lawsuit, it is thought that the alternative ② should be chosen in principle and judgment on validity of right as incidental questions effective only to the parties concerned is admitted to the infringement court.

However, in order to avoid such a judgment being inconsistent with the judgment on validity of the right in the registration country, if possible, it is supposed that it is appropriate to admit defense of invalidity when it is clear to the court. Specifically, it is possible to add the provision such as "with limitation to the case it is clear that no inconsistent judgment will be made" after Article 12, the sixth paragraph "the previous paragraphs shall not apply when the matters referred to therein arise as incidental questions."

In case that a judgment on validity of right is sought in the registration country, it is thought that an adjustment rule is necessary, and specifically, it is thought to provide such as "in case that a judgment on validity of a right is sought in the registration country, the court that the infringement lawsuit was raised may suspend the procedure at request of the parties concerned, when there is a doubt about the validity of a right".

2 Conclusion

In the future, paying attention to discussions in informal meeting and the situation of consideration, etc. in various foreign countries, keeping in mind that making a multilateral treaty in the field of the international jurisdiction and foreign judgment on civil and commercial matters is a very valuable from viewpoints such as reservation of legal stability, it is necessary to carry out rational adjustment towards adoption of the Convention at international places.

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