

## ABHANDLUNGEN / ARTICLES

### **Jurisdiction in Intellectual Property Disputes in the Proposal to Reform the International Civil Procedure Law in Japan: An Assessment from Europe**

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#### I. INTRODUCTION

In March 2010, the Japanese Ministry of Justice submitted to the Diet a Draft to amend the Code of Civil Procedure and the Civil Provisional Remedies Act (hereinafter referred to as the Final Draft).<sup>1</sup> The Final Draft aims to introduce a set of rules that, if finally adopted, will derogate the present system of international jurisdiction in civil and commercial matters based on the existing case law.

One of the fields of law where this proposal is particularly relevant is intellectual property rights (hereinafter IPR). It shall be recalled that the effective protection of IPR has constituted a matter of national concern since 2005, when Prime Minister Koizumi

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<sup>1</sup> An English translation of the Final Draft and a general introduction of its content and history by Professor Toshiyuki Kono can be found in this same issue. The Japanese version of the Final Draft can be found at [http://www.moj.go.jp/shingi1/SHINGI2\\_100205-2-1.html](http://www.moj.go.jp/shingi1/SHINGI2_100205-2-1.html)

Junichiro stated that Japan should become an IP nation where intellectual property should be highly promoted and strongly protected.<sup>2</sup> At the same time, several authors have affirmed that international IPR disputes have increased in Japan in the latest years.<sup>3</sup> The main reason for this increase is the relevance that the international exploitation of IPR have acquired due, *inter alia*, to the development of new information and communication technologies.

The provisions in the Final Draft that deal with jurisdiction in IP matters are based on the solutions provided by existing case law and introduce just a few amendments. Even so, it can be affirmed that the new regulation will reinforce the effective protection of intellectual property. It should be recalled that this is an international compromise assumed by Japan within the framework of TRIPs and that it not only affects substantive and procedural rules but also private international law rules as well.<sup>4</sup>

But the effective protection of IPR is not the only objective of these rules. There are other interests that must be taken into account, such as ensuring the defendant's right to a due process. Certain provisions in the Final Draft (in particular Section VI, dealing with the "special circumstances test") leave a lot of doubts that a fair balance among all the objectives present on the regulation of jurisdiction on IPR matters will be ensured. Most probably, the answer will depend on the way Japanese courts interpret these provisions in practice.

On that interpretation, it might be interesting to take a look at the answers provided in Europe. In particular, attention should be paid to the regulation of jurisdiction in IP matters in Regulation 44/2001 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters (hereinafter referred to as R. 44/2001)<sup>5</sup> and to the case law of the Court of Justice (hereinafter referred to as ECJ) and the courts of the Member States. As will be explained, a better regulation in this field would be attained in Japan if Japanese courts adopt some of the interpretations provided by the ECJ.

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- 2 R. TAPLIN, *Intellectual Property and the New Global Japanese Economy* (London/New York 2009) 17 et seq.
  - 3 Y. NISHITANI, *Intellectual Property in Japanese Private International Law*, in: *Japanese Annual of International Law* 28 (2005) 87; T. KONO, *Recent Judgements in Japan on Intellectual Property Rights, Conflicts of Laws and International Jurisdiction*, in: J. Drexl/A. Kur (eds.), *IP and Private International Law: Heading for the Future* (Oxford/Portland, 2005) 229.
  - 4 In relation to the regulation of jurisdiction in IP matters in Europe, D. MOURA VICENTE, *La propriété intellectuelle en Droit international privé*, in: 335 *Recueil des cours de l'Académie de Droit international de La Haye* 2008, 401. It must be recalled that according to Art. 41 (2) "procedures concerning the enforcement of intellectual property rights shall be fair and equitable. *They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.*"
  - 5 Official Journal L 12, 16 January 2001. Denmark is not a Member State for the purpose of R. 44/2001. However, the Regulation applies in the Nordic country pursuant to an International Agreement signed between the European Union and Denmark (Official Journal L 299, 16 November 2005). In addition, in the relations between the European Union, Norway, Switzerland and Iceland, a similar regulation established in the Lugano Convention (Official Journal L 339, 21 December 2007) applies.

However, the regulation of jurisdiction in IP matters in the Brussels I Regulation is not perfect. Several defects in this regulation have been identified. In April 2009, the European Commission published a Green Book on the revision of the Brussels I Regulation and opened a public consultation.<sup>6</sup> One of the main points of concern was the regulation of jurisdiction in IP matters. At present, the Commission is working on a proposal to amend R. 44/2001 and, presumably, one of the fields to be touched upon is that of IPR. In this sense, as it has been sustained somewhere else, in certain cases it is the European legislator who should take into account the solutions provided in the Japanese system of jurisdiction.<sup>7</sup>

Other texts that Japanese courts should take into account on the interpretation of the new regulation are four academic proposals recently published: a) the *Third Preliminary Draft of the Principles of Conflict of Laws in Intellectual Property* of the European Max Planck Group on Conflict of Law and Intellectual Property (hereinafter referred to as *CLIP Principles*);<sup>8</sup> b) the *Principles governing jurisdiction, choice of law, and judgments in transnational disputes* of the American Law Institute (hereinafter referred to as *ALI Principles*);<sup>9</sup> c) the *Japanese Transparency Proposal* of the Copyright Group, Industrial Property Rights Group and the International Civil Procedure Group of the Transparency of Japanese Law Project;<sup>10</sup> d) and the *Principles on Private International Law on Intellectual Property* prepared by the WASEDA University Global-CEO Project (hereinafter the *WASEDA Principles*).<sup>11</sup>

The objective of this article is not to provide a general and exhaustive explanation of the regulation of jurisdiction in IPR in the Final Draft, but to focus on some of the questions that, in my opinion, are more controversial in this field of law. As such, the first section will explain the differences that exist in the principles that inform the systems of jurisdiction in Europe and Japan and the consequences that these differences entail for international IPR disputes. In the second section, an explanation will be given of the

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6 Doc. COM (2009) 175 final. Responses to the public consultation are available at [http://ec.europa.eu/justice\\_home/news/consulting\\_public/news\\_consulting\\_0002\\_en.htm](http://ec.europa.eu/justice_home/news/consulting_public/news_consulting_0002_en.htm)

7 A comparison between both systems can be found in my report in English and Japanese for the Institute of Intellectual Property (Tokyo, Japan): A. LOPEZ-TARRUELLA, *Towards a Unified System of Jurisdiction in the Field of Intellectual Property between Japan and Europe* (Tokyo, 2009).

8 *Third Preliminary Draft of the Principles of Conflict of Laws in Intellectual Property*, available at <http://www.ip.mpg.de/shared/data/pdf/draft-clip-principles-01-09-2010.pdf>.

9 American Law Institute, *Principles governing jurisdiction, choice of law, and judgments in transnational disputes* (2008). The ALI Principles can be found in Annex I in: J. Basedow/T. Kono/A. Metzger (eds), *Intellectual Property in the Global Arena – Jurisdiction, Applicable Law, and the Recognition of Judgements in Europe, Japan and the US* (Munich, 2010) 347. A previous draft is available at [http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf).

10 The proposal can be found in J. BASEDOW / T. KONO / A. METZGER (eds), *Intellectual Property in the Global Arena – Jurisdiction, Applicable Law, and the Recognition of Judgements in Europe, Japan and the US* (Munich, 2010) 365.

11 Available at <http://www.globalcoe-waseda-law-commerce.org/activity/pdf/19/21.pdf>

peculiarities of the regulation of the jurisdiction for actions on the registration and validity of IPR. The third section will deal with some selected questions concerning the jurisdiction in actions on IPR infringement. The fourth section will focus on the jurisdiction in actions of infringement against multiple defendants. The article will be closed with some final remarks.

## II. GENERAL APPROACH TO THE REGULATION OF JURISDICTION IN IP MATTERS IN JAPAN AND THE EUROPEAN UNION: PREDICTABILITY VS. FLEXIBILITY

An analysis of the Japanese rules on jurisdiction in IP matters from a European perspective first requires a brief explanation of the main characteristics and principles that shapes each system of international jurisdiction. As will be observed, these principles are very different, a circumstance that affects the regulation as a whole.

As mentioned before, in the European Union, the main instrument that governs the regulation of jurisdiction in civil and commercial matters is R. 44/2001.<sup>12</sup> The ECJ has affirmed in several decisions that the rules on jurisdiction in this instrument are informed by the principles of legal security and predictability of solutions.<sup>13</sup> These rules need to be predictable so that persons domiciled in the European Union can easily foresee where they can be sued. This predictability is part of the defendant's right to a due process. These principles are so relevant for the European legislator that rules on jurisdiction are mandatory – that is, once the conditions for the application of these rules are met courts must declare jurisdiction. They cannot decline jurisdiction in any case.<sup>14</sup>

Japan is not a party to any international convention on jurisdiction. At present, Japanese courts determine their jurisdiction in accordance with case law.<sup>15</sup> If finally adopted,

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12 In certain situations (e.g. in the absence of a forum-choice agreement and exclusive jurisdiction, when the defendant is domiciled in a third country), the Regulation refers national courts to their national legislations to determine their jurisdiction (Art. 4).

13 See for example EJC Judgement of 10 February 2009, C-185/07, “*West Tankers*”, of 13 July 2006, C-539/03, “*Roche Nederlanden v. Primus*” and of 13 July 2006, C-4/03, “*GAT v. Luk*”. An accurate analysis of this case law can be found in J.A. PORTIER / E. BURG, *EU Principles on Jurisdiction and Recognition and Enforcement of Judgments in Civil and Commercial Matters* (The Hague, 2004).

14 ECJ Judgement of 1 March 2005, C-281/02, “*Owusu v. Jackson*” declaring the incompatibility of the Common Law “*forum non conveniens*” doctrine when English courts must apply R. 44/2001 to declare jurisdiction.

15 When talking about case law in Japan, it shall be taken into account that the Japanese judicial system includes IP-specialized courts (Art. 6 CCP). Judicial precedents to take into account are those from the following courts: a) the Tokyo and Osaka District Courts, since they are the ones with competence to hear about actions in this field; b) the Tokyo High Court, with competence to hear about appeals to decisions by the Tokyo or Osaka District Courts; c) the Supreme Court. C. HEATH, *The Enforcement of Patent Rights in Japan*, in: C. Heath/L. Petit (eds), *Patent Enforcement Worldwide* (Oxford/Portland 2005) 334.

the Final Draft will be the first body of rules on international jurisdiction in civil and commercial matters.<sup>16</sup>

According to this case law, the determination of the jurisdiction of Japanese courts in international disputes must be done in accordance with principles of justice which would require that fairness be maintained between the parties, and a proper and prompt trial be ensured. It is presumed that these principles are safeguarded if a court can declare jurisdiction in accordance with the provisions on domestic jurisdiction in the Code of Civil Procedure (hereinafter referred to as CCP).<sup>17</sup>

A quick look on these provisions shows that the provisions applicable to IPR disputes are very similar to those established in R. 44/2001. However, the application of these rules shows a significant difference: while in Europe their interpretation is based on the principles of legal security and predictability, Japanese courts have more flexibility and they can look for an interpretation that better suits each particular case. This greater level of flexibility is particularly reflected in the rules on the objective joinder of claims (this will be explained in section IV) and the “special circumstances test”.

The landmark decision concerning the “special circumstances test” is the “*Family*” case,<sup>18</sup> a judgement by the Supreme Court that confirmed a doctrine already followed by lower courts. According to this decision, despite the fact that any of the venues stipulated in the CCP is located in Japan, if there are special circumstances that would mean that hearing the matter in Japan would be contrary to the principles of fairness as between the parties and of the expectation of a proper and speedy trial, the courts will decline their international jurisdiction.

The “special circumstances test”, whose functioning is very similar to that of the Common Law “*forum non conveniens*” doctrine,<sup>19</sup> implies that, contrary to the rules of jurisdiction in R. 44/2001, those in the CCP do not have a mandatory character. Even if the conditions for the application of these rules are met, if the special circumstances of a particular case do not recommend it, courts should decline jurisdiction. At first sight, this test has an advantage: it introduces a degree of flexibility that enables judges to adjust the application of the rules of jurisdiction to the special circumstances of each case. They might introduce fairness in the regulation of each particular case. So, for example,

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16 In general, on international jurisdiction in civil and commercial matters in Japan, Y. HAYAKAWA, *International Adjudicative Jurisdiction in Japan*, in: J. Basedow/H. Baum/Y. Nishitani (eds), *Japanese and European Private International Law in Comparative Perspective* (Munich 2008) 367 ff.; M. DOGAUCHI, *Japan*, in: J. Fawcett (ed), *Declining jurisdiction in private international law* (Oxford 1995) 303; N. TADA / M. NAGATA, *International Adjudicatory Jurisdiction*, available at <http://kanzaki2.lawd.gakushuin.ac.jp/~conflict/procedure/index.html>

17 Supreme Court, 16 October 1981, “*Malaysian Airlines System*”, in: *Minshû*, vol. 35, no. 7, p. 1124 ss. A summary in English is available at <http://kanzaki2.lawd.gakushuin.ac.jp/~conflict/procedure/E-label/LA1-S56.10.16.pdf>.

18 In: *Minshû*, vol. 51, n°10, p. 4055. A summary in English is available at <http://kanzaki2.lawd.gakushuin.ac.jp/~conflict/procedure/E-label/LA1-H09.11.11.pdf>

19 DOGAUCHI, *supra* note 16, 309.

in international IPR disputes, Japanese courts may apply this test to grant an interpretation of the rules on jurisdiction in each particular case that favours the effective protection of intellectual property.

However, certain Japanese authors have criticized the fact that the case law on the “special circumstances test” does not provide a list of criteria that judges can take into consideration on its application.<sup>20</sup> Sometimes the application of the test is based on the fact that the trial in Japan would hinder the interests of the weaker party to the relation. In others it is based on the fact that litigation in Japan undermines the defendant’s right to a due process. Others depend on the fact that evidence is located outside Japan or that several parties need to be serviced abroad, causing litigation in Japan to suffer undue delays. In others, the need to apply a foreign law to the proceeding in Japan is burdensome. Finally, the existence of a previous action before a foreign court between the same parties on the same cause is what is taken into account. In addition to the lack of a common catalogue of criteria, the weight that each court grants to each of them also varies.<sup>21</sup>

Scholars denounce that the “special circumstances test” has lost its nature as an exception. It has become a general clause on the determination of international jurisdiction.<sup>22</sup> This grants Japanese courts an extremely high degree of flexibility to determine their jurisdiction. As is shown by certain decisions that will be analysed in the following sections, this excessive level of flexibility entails lack of legal security and predictability both for plaintiffs and defendants. In the latter case, in certain situations, their right to a due process is seriously undermined.<sup>23</sup>

Despite these critics, as Prof. Kono explains in his note to the Final Draft, the Ministry of Justice has adopted the “special circumstances test” as a black-letter rule in Section VI:

#### VI. General Rules Related to International Jurisdiction

Courts can reject all or some actions which they are competent to hear if from the nature of the case or the extent of the burden of the defendant caused by his/her appearance, the location of evidence or by reason of other circumstances the exercise of jurisdiction would be inequitable to the parties or hinder the conduct of a proper and speedy trial (except when parties have made an agreement conferring exclusive jurisdiction on a Japanese court).

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20 KONO, *supra* note 3, 230; T. UENO, International Jurisdiction in Intellectual Property Rights Infringement Cases (2009) 8, available at [http://www.tomeika.jur.kyushu-u.ac.jp/chizai/symposium/index\\_en.html](http://www.tomeika.jur.kyushu-u.ac.jp/chizai/symposium/index_en.html)

21 TADA / NAGATA, *supra* note 16, 4-5.

22 S. CHAEN / T. KONO / D. YOKOMIZO, Jurisdiction in Intellectual Property Cases: The Transparency Proposal, in: J. Basedow/T. Kono/A. Metzger (eds), Intellectual Property in the Global Arena – Jurisdiction, Applicable Law, and the Recognition of Judgements in Europe, Japan and the US (Munich, 2010) 108.

23 NISHITANI, *supra* note 3, 88.

As can be observed, the provision basically copies what the case law about the test states. Just a small amendment is introduced: the “special circumstances test” shall not be applicable if the jurisdiction of Japanese courts derives from an agreement by the parties. Furthermore, Section VII (*Exceptions Related to Exclusive Jurisdiction*) states that the test “shall not apply with regard to actions which according to Japanese law fall under the exclusive jurisdiction of Japanese courts”. It should also be mentioned that other provisions such as the one concerning jurisdiction over tort actions (Section II.6) introduce conditions for its application that might be considered as a particular application of the “special circumstances test” to those categories of actions.

I agree with the members of the *Japanese Transparency Project* when they affirm that it would have been better to remove the test as a general clause.<sup>24</sup> None of the other academic proposals introduces anything like this test or the “*forum non conveniens*” doctrine either. In any case, the amendments introduced by the Final Draft should be welcome because they will increase legal certainty on international litigation in Japan. As will be observed, one of the fields that should especially benefit from this is intellectual property. Nonetheless, it should be recalled that the flexibility – and therefore, the danger of legal uncertainty – of the Japanese system also derives from other provisions such as the one that deals with jurisdiction over joint claims (Section IV of the Final Draft).

### III. EXCLUSIVE JURISDICTION FOR ACTIONS ON VALIDITY AND REGISTRATION OF INDUSTRIAL PROPERTY RIGHTS IN THE FINAL DRAFT

The regulation in the Final Draft of the jurisdiction for actions concerning the validity and registration of IPR raise two particular questions: a) the justification of the exclusive character of this ground of jurisdiction; and b) its application in cases where the question of validity of the IPR is raised as a defence.

#### 1. *The justification of the exclusive character of the rule of jurisdiction for actions on the validity or registration of industrial property rights and the possible application of the “special circumstances test”*

As in the European Union (Art. 22.4 R. 44/2001), the CCP declares the jurisdiction of the courts of the place of registration to hear about actions concerning the registration of IPR registered in Japan (Art. 5 (13)).

Although the provision does not state so, the rule of jurisdiction also applies to actions concerning the validity of the IPR, and the jurisdiction of these courts is exclusive. These conclusions can be extracted from the “*Coral Sand*” decision of the Tokyo

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24 CHAEN / KONO / YOKOMIZO, *supra* note 22, 109.

District Court.<sup>25</sup> In this decision, *obiter dicta*, it is affirmed that “it is generally understood that the country of patent registration has exclusive jurisdiction over actions seeking a judgement negating the establishment of a patent right or invalidating a patent right”. In addition, similar to what Article 25 R. 44/2001 states, it is considered that when courts different from those of the country of registration adopt a decision on the invalidity of a patent registered in that country, the decision is not enforceable.<sup>26</sup>

The Final Draft establishes the exclusive jurisdiction in Sections III.2 (actions related to registration or entries in public registries) and III.3 (actions related to the existence and effects of intellectual property rights [...] which are subject to registration). As it can be observed, contrary to R. 44/2001, the exclusive jurisdiction is divided in two sections. However, this does not have any implication in practice since in both cases the output is the same: the exclusive jurisdiction of Japanese courts.

In order to justify the exclusive jurisdiction for actions on registration and validity of IPR both in Japan and the European Union, the “act of state” doctrine is upheld: the grant of an IPR is a decision by a public authority whose validity can only be challenged before the courts of that state.<sup>27</sup> Secondly, it is sustained that this rule of jurisdiction favours a proper administration of justice since evidences in these proceedings are located in the state of registration. These courts are the best placed to adjudicate. Finally, the ECJ considers that IP law (especially patent law) is a particularly complex area. Since the law applicable to registration is that of the state of registration, it is important that the jurisdiction is attributed to the courts of that state because they will apply their own law. This justification is valid for the Japanese system as well.

While the *WASEDA Principles* (Art. 5), the *CLIP Principles* (Art. 2:401 (1)) and, with a small exception,<sup>28</sup> the *ALI Principles* (Section 213 (2)) affirm that these arguments are enough to justify the exclusive jurisdiction of the courts of the country of registration, the members of the Japanese Transparency Project have a different opinion.<sup>29</sup> According to them, Japanese courts should be able to declare jurisdiction to hear about

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25 Tokyo District Court, 16 October 2003, in: Hanrei Jihô, no. 1874.

26 This is the opinion of the International Jurisdiction Study Group, which was commissioned by the Ministry of Justice. Cited in CHAEN / KONO / YOKOMIZO, *supra* note 22, 80.

27 ECJ Judgement, 13 July 2006, C-4/03, “*GAT v. LuK*”. On the relevance of this argument from a Japanese perspective, M. DOGAUCHI, Jurisdiction over Foreign Patent Infringement from a Japanese Perspective in Consideration of the Hague Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters as of June 2001, in: Japanese Annual of International Law 2001, 35 *et seq.*

28 Section 213 (3) states that “an action to declare the invalidity of [an IPR] in two or more States may be brought in the State or States in which the defendant is resident, but the judgement will be effective only to resolve the dispute between or among the parties to the action.”

29 CHAEN / KONO / YOKOMIZO, *supra* note 22, 87. In Europe, there are also opinions against the existence of exclusive jurisdiction in general, D.P. FERNANDEZ ARROYO, Exorbitant and Exclusive Grounds of Jurisdiction in European Private International Law: Will They Ever Survive?, in: Festschrift Erik Jayme, vol. I (Munich 2004) 169.

actions on the validity and registration of a foreign IPR pursuant to any other ground of jurisdiction – e.g. the defendant’s domicile in Japan (Art. 101 (2) and (3)). The decision will be effective only between the parties to the action. That is, the IPR will not be invalidated with *erga omnes* effects.

These authors understand that the lack of an exclusive jurisdiction contributes to adequate dispute resolution. Rules such as those in Section III (2) and (3) of the Final Draft impede a defendant in an action of infringement of a foreign IPR to counterclaim concerning validity and preclude the parties to the dispute from referring the validity of the IPR to arbitration. Even if the decision may not be recognised in the country of registration, it is possible that the parties will voluntarily comply with it.

While I can share the idea that the arguments that justify the exclusive jurisdiction are very weak, I cannot agree with the proposal of the Japanese Transparency Project. As will be explained in the next section, an exception to the exclusive competence may exist when the issue of the validity and registration of a foreign IPR is raised as a defence in an infringement proceeding or for the purpose of invoking the invalidity of a contract whose object is that IPR. However, besides these cases, it is difficult to see the purpose of obtaining a judgement in Japan establishing the invalidity of a foreign IPR that is only effective between the parties. The purpose of actions on validity is to obtain a judgement declaring the invalidity of the IPR. If according to the proposal the judgement is not enforceable in the country of registration because it only displays *inter partes* effects, why would a plaintiff litigate in Japan instead of the state where the IPR is registered?

Another interesting question concerning this exclusive rule on jurisdiction is whether Japanese courts can decline jurisdiction to hear about an action on the registration or validity of an IPR on the basis of the “special circumstances test”. In my opinion, the arguments that justify the exclusive jurisdiction should be enough to avoid the application of the test: when the IPR is registered in Japan, Japanese courts should *always* declare jurisdiction. However, according to the present status of Japanese law, the “special circumstances test” applies on general terms. Therefore, theoretically a Japanese court can decline jurisdiction in an action concerning the registration of a patent in Japan because both parties are domiciled in a foreign state very far away and, thus, it will be burdensome for them to litigate in Japan instead of before the court of their state of common domicile.

The Final Draft is to be welcome because it erases any uncertainty concerning these situations. Section VII establishes that, among other provisions, Section VI (the provision that establishes the “special circumstances test”) is not applicable when the jurisdiction of Japanese courts is based on any of the exclusive grounds of jurisdiction in Section III (this provision includes the exclusive jurisdiction in actions on registration and validity of IPR). As a consequence, a Japanese court can never decline jurisdiction to know about actions on the validity and registration of an IPR registered in Japan.

What would happen in the opposite situation? For instance, a Japanese company files a complaint in Japan against a Japanese company claiming that the patent registered by the second company in the United States is not valid. At first sight, a Japanese court would be able to declare jurisdiction in accordance to Section 4 CCP (defendant's domicile in Japan). But should the court decline jurisdiction by applying the "special circumstances test"? For the members of the Japanese Transparency Project, the answer should be no because Japan is the country of domicile of the defendant; thus Japanese courts should declare jurisdiction and the test should not be applicable. In my opinion, the fact that the judgement would hardly be recognizable in the foreign state where the patent is registered is a strong argument for Japanese courts to decline jurisdiction.

This example shows that in some cases the "special circumstances test" could favour the good administration of justice. If the same situation arose in Europe, the result would be completely different. Assume that two German companies litigate in Germany in relation to the validity of an IPR registered in the United States. Since the rules of jurisdiction in R. 44/2001 are mandatory, the German court should declare jurisdiction. However, it is clear that the decision will never be enforceable in the United States. This entails costs in the administration of justice that could have been avoided by introducing some flexibility in the system.

## 2. *Regulation in the Final Draft of jurisdiction in cases where the validity of the IPR is raised as a defence*

It is usually the case that in the framework of an action for infringement of a foreign IPR, the defendant claims that the IPR is invalid either as a counterclaim (so that the IPR is declared invalid with *erga omnes* effects) or as a defence (with *inter partes* effects for the sole purpose of the dismissal of the complaint). While the European Union and Japan provide the same solution in the first case (exclusive jurisdiction rule applies), the solution provided in the second case is completely different.

In "*GAT v. Luk*", the ECJ interpreted that whether the question on validity of the IPR is raised as a counterclaim or as a defence, Article 22 (4) R. 44/2001 is applicable.<sup>30</sup> According to the Court, if the rule were not applicable in both cases, the claimant would be able, simply by the way it formulates its claims, to circumvent the mandatory nature of Article 22 (4). This would have the effect of multiplying the grounds of jurisdiction and would be liable to undermine the predictability of the rules of jurisdiction, and consequently to hinder the principle of legal certainty.<sup>31</sup>

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30 Art. 16(4) of the Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters [at present Art. 22.4 R. 44/2001], ... is to be interpreted as meaning that the rule of exclusive jurisdiction laid down therein concerns all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or a plea in objection.

31 Id. at 23.

In Japan, the Tokyo District Court knew about a case very similar to “*GAT v. LuK*” in the above-mentioned “*Coral Sand*” decision.<sup>32</sup> The parties to the dispute were two Japanese companies doing business in the United States. The plaintiff wanted a pre-emptive declaration that the defendant could not enjoin the sales of plaintiff’s products in the US because they were not covered by the defendant’s US patent or because the patent was invalid. The Court declared jurisdiction on the basis of Article 4 CCP since the defendant was domiciled in Japan. It states:

The decision of invalidity of the patent only has effect as a decision within the reasoning of a judgement in the action seeking injunction, and does not invalidate the patent right as against third parties. Therefore, recognition of this defense is not a reason to reject the international jurisdiction other than the country of registration, and even if the defending party in an action for injunction raises the defense of patent invalidity, that is not a barrier to hearing the action in a court of a country other than the country of registration.

To summarize: when the question of validity of the IPR is raised as a defence, the exclusive jurisdiction rule is not applicable.<sup>33</sup>

Unfortunately, Section III of the Final Draft does not include the “*Coral Sand*” case law as black-letter rule. However, Japanese courts should continue applying this same case law.

The restrictive interpretation of the exclusive ground of jurisdiction in Japan is preferable to the interpretation sustained by the ECJ in Europe.<sup>34</sup> The “*GAT v. LuK*” decision does not determine what the court hearing of the action for infringement should do when the defendant questions the validity of the IPR as a defence. The lack of a uniform answer to this question opens several alternatives:

- a) In England, it is sustained that once the question of validity is raised as a defence before the court hearing about the action for infringement, the proceeding is one “principally concerned with a matter over which the courts of another Member State have exclusive jurisdiction” in the sense of Article 25 R. 44/2001.<sup>35</sup> As a consequence, the court should decline jurisdiction in favour of those of the country of registration.
- b) An alternative solution consists of staying the proceeding and asking the defendant to file the action on invalidity before the courts of the Member State where the IPR is registered. Once this decision is taken, the first court can resume the infringement proceeding.

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32 A comparison between both judgements can be found in M. IWAMOTO, International Jurisdiction and Defence of Invalidity in Foreign Patent Infringement Action – Analysis on Judgment on July 13, 2006 of ECJ(C-4/03), in: IIP Bulletin 2009, 102 et seq, available at [http://www.iip.or.jp/e/e\\_summary/pdf/detail2008/e20\\_14.pdf](http://www.iip.or.jp/e/e_summary/pdf/detail2008/e20_14.pdf)

33 NISHITANI, *supra* note 3, 93.

34 In this sense, MOURA, *supra* note 4, 400.

35 A recent example can be found in “*SanDisk Corporation v. Koninklijke Philips Electronics and others*” [2007] EWHC 332 (Ch).

- c) A third possibility consists of staying the proceeding and granting the defendant a reasonable term of time to file the complaint before the courts of the Member State where the IPR is registered. If the complaint is filed within that term, the court will wait until the second court adopts a decision. If the complaint is not filed, the court will consider the patent as valid and will resume the infringement proceeding.
- d) A fourth alternative: since the court cannot know about the validity of the patent, it will hear about the action for infringement considering the patent as valid.<sup>36</sup>

None of these alternatives is free of problems. The first alternative lacks predictability: a plaintiff that submits an action on infringement before the courts of the state where the defendant is domiciled does not know if that court will finally hear the case. It will depend on whether the defendant challenges the validity of the foreign IPR. If that is so, the court will invite the parties to start the proceeding again before the courts of the state where the IPR is registered. The second and third alternatives enable the defendant to unduly delay the decision on the infringement action since the proceeding will be blocked until a decision is taken by the courts of the state of registration or the term of time granted to file the complaint has expired.<sup>37</sup> This possibility may also be used by defendants in Member States where the first alternative is adopted. Finally, the fourth alternative implies that in some cases, a court might be forced to hear about an infringement of an IPR even if it is obvious that the IPR is invalid. This problem may also appear in countries adopting the third alternative.

Finally, an indirect consequence of the lack of a uniform solution is that IPR holders are forced to defend their rights state by state – that is, in each of the Member States where the IPR is registered. This is the only way to avoid any opportunistic behaviour on behalf of defendants. However, this severely increases the costs of litigation and the forum of the defendant’s domicile becomes inapplicable in practice.<sup>38</sup>

Thanks to the interpretation provided in “*Coral Sand*”, Japanese courts should never face these problems: when the defendant questions the validity of the IPR as a defence in the framework of an infringement proceeding, the court has jurisdiction to know about that question. This is also the solution established in the Hague Convention on choice-of-court agreements,<sup>39</sup> the *CLIP Principles* (Art. 2:401.2), the *ALI Principles* (Section 213 (3)), and the proposal of the Japanese Transparency Project (Art. 101).

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36 An example can be found in the judgement of The Hague District Court, 21 September 2006, “*Bettacare v. H3 Products and Wedeka*”.

37 C. GONZALEZ BEILFUSS, Nulidad e infracción de patentes en Europa después de *GAT y Roche*, in: Anuario español de Derecho internacional privado 2006, 275.

38 MOURA, *supra* note 4, 399.

39 Art. 2 (2) (n) excludes from the scope of application of the Convention “the validity of intellectual property rights other than copyright and related rights”. However, paragraph 3 specifies: “Notwithstanding paragraph 2, proceedings are not excluded from the scope of

#### IV. JURISDICTION OF JAPANESE COURTS ON ACTIONS FOR INFRINGEMENT OF IPR IN THE FINAL DRAFT

Like R. 44/2001, the Final Draft provides several grounds according to which Japanese courts can declare jurisdiction to hear actions for infringements of IPR. Basically, these grounds are copied from the CCP, although a few amendments have been introduced:

- a) when the defendant is domiciled in Japan (Section I (1) and (3), at present Article 4 CCP);<sup>40</sup>
- b) when the defendant does not reside in Japan but owns a business office or a permanent establishment (Section II (4), at present Article 4 (5) CCP);
- c) according to *forum delicti commissi*, when the infringement of the IPR took place in the territory of Japan (Section II (6), at present Article 5 (9) CCP).

Besides these grounds of jurisdiction, the *forum rei sitae* can also be applied in certain actions concerning IPR: in actions related to property rights, Japanese courts can declare jurisdiction when the object of the claim is located in Japan (Section II (3), at present Art. 5 (4) CCP). Finally, Japanese courts can declare jurisdiction if the parties to the dispute have so agreed in a forum-choice agreement (Art. V (1), at present Art. 11 CCP). However, it is unlikely that parties to an IPR infringement dispute will agree on such a clause.

It should be recalled that Japanese courts will only declare jurisdiction in accordance with these rules if the “special circumstances test” does not persuade them to decline jurisdiction (Section VI).

In the following lines, I would like to focus on three particular problems that may appear on the application of these rules to actions related to IPR: a) the possible application of the *forum rei sitae* in this field; b) the possibility to file actions for declaration of non-infringement before the courts of the place where the IPR is exploited; c) the jurisdiction of Japanese courts in cases of infringement of IPR in multiple states.

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this Convention where a matter excluded under that paragraph arises merely as a preliminary question and not as an object of the proceedings. In particular, the mere fact that a matter excluded under paragraph 2 arises by way of defence does not exclude proceedings from the Convention, if that matter is not an object of the proceedings.” It must be recalled that the Convention has not entered into force yet.

40 As in Europe, the principle of territoriality does not hinder Japanese courts from declaring jurisdiction in cases where the IPR infringement has taken place abroad. In this sense, Supreme Court Judgement of 26 September 2002, “*Fujimoto v. Neuron Co. Ltd.*” (*Card Reader* case) in: Japanese Annual of International Law 2003, 168.

### 1. *The application of forum rei sitae to actions related to IPR*

As mentioned above, according to Section II (3) of the Final Draft (and Art. 5 (4) CCP), Japanese courts can declare jurisdiction in actions related to property rights when the object of the claim is located in Japan. The case law has affirmed the application of this rule in cases where the declaration of ownership of a Japanese IPR is claimed.<sup>41</sup>

Scholars consider that this ground of jurisdiction may become exorbitant if it is used to invoke the jurisdiction of Japanese courts in disputes that have a very weak connection to Japan. Because of that, a restrictive interpretation of the rule is recommended: the *forum rei sitae* should only be applied when the object of the claim is a property located in Japan.<sup>42</sup> If this condition is not met, Japanese courts should decline jurisdiction without any other requirement being needed or, as the case may be, in accordance with the “special circumstances test”. That would be the case, for instance, in a complaint concerning an IPR infringement abroad by a company that has properties in Japan. If the properties that the company has in Japan have no relation with the infringement of the IPR, the Japanese courts should decline jurisdiction.

Notwithstanding the need of a restrictive interpretation of this ground of jurisdiction, the *forum rei sitae* is very useful in IPR disputes where an infringement does not exist. In the European Union, if a particular party wants a court to declare that he is the owner of an IPR or that another person is not the IPR owner, there is only one option: to file the complaint before the courts of the Member State where the defendant is domiciled (Art. 2 R. 44/2001). Even more, theoretically, in the first of these situations the general ground of jurisdiction of R. 44/2001 is not applicable because a defendant does not exist.<sup>43</sup> This is a defect of R. 44/2001 that hinders the effective protection of IPR.

Fortunately, in the Japanese legal system this problem does not exist. The attribution of jurisdiction to hear this category of actions to the courts of the place where the property is located – assuming that IPR are considered as “properties” of their holders – is justified on the basis of proximity. The place where the property (the IPR) is located is where the IPR is exploited and, as the case may be, where it can be infringed.

The members of the Japanese Transparency Project are in favour of this ground of jurisdiction: Japanese courts shall declare jurisdiction over actions concerning the ownership of Japanese IP rights, even where there is no other basis for international jurisdiction.<sup>44</sup> In addition, both the *CLIP Principles* and the *ALI Principles* establish

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41 In particular, as will be analysed in the following section, Supreme Court Judgement of 8 June 2001, “*Ultraman*”, in: Minshû, vol. 55, n°4, p. 727. A summary of the decision in English is available at <http://kanzaki2.lawd.gakushuin.ac.jp/~conflict/procedure/E-label/LA1-H13.06.08.pdf>.

42 TADA / NAGATA, *supra* note 16, 14.

43 A. HERNANDEZ RODRIGUEZ, Los contratos de edición en Derecho internacional privado español (Granada 2002) 61; C. ESPLUGUES MOTA, Normas de competencia judicial internacional en materia de propiedad intelectual, in: Los derechos de propiedad intelectual en la nueva sociedad de la información (Granada 1998) 209.

44 CHAEN / KONO / YOKOMIZO, *supra* note 22, 91.

rules of jurisdiction for this category of actions.<sup>45</sup> The first academic proposal states that the actions on entitlement to an ownership of an IPR can be filed before the courts of the state where the right exists or for which an application is pending (Art. 2:205). The second proposes that the same rules of jurisdiction applicable to actions for infringements should apply to declaratory actions (Section 213 (1)). In practice, these solutions lead to the same results as the *forum rei sitae* in the Japanese system.

2. *Jurisdiction of the courts of the place of exploitation of the IPR to hear about actions for declaration of non-infringement*

The aim of a plaintiff in actions for the declaration of non-infringement is to obtain a resolution by a court declaring that a certain activity does not infringe an IPR of the defendant. These actions may be filed, for example, by a company that wants to be sure that a new product they plan to commercialize does not infringe another company's IPR. In other occasions, these actions are filed when a company is persistently sending warning letters to other companies. Any of the latter may ask a court to declare that its activities do not infringe the IPR of the company sending the warning letters.<sup>46</sup>

When these actions are made in conjunction with a challenge to the validity of the IPR, there will be exclusive jurisdiction. However, several times the non-existence of the infringement is not based on the invalidity of the IPR. In those cases, exclusive jurisdiction does not apply. There is no doubt that these actions can be filed before the courts of the state where the defendant is domiciled or has an establishment. However, it is not clear whether these actions can be brought before the courts of the *forum delicti commissi*.

In Europe, the ECJ has not had the chance to answer this question directly. However, in "*Tatry*"<sup>47</sup> the ECJ held that actions to declare the non-existence of a contractual obligation have the same object as actions for breach of a contractual obligation. According to this decision, it is interpreted that actions for the declaration of non-infringement of IPR fall under Article 5 (3) R. 44/2001 because they have the same object as actions on IPR infringement.<sup>48</sup>

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45 Art. 4 of the *WASEDA Principles* establishes jurisdiction in general to the courts of the state of registration in "disputes concerned with an intellectual property right which requires registration". This does not cover actions for declaration of ownership of copyright that can exclusively be filed before the courts of the defendant's residence state (Art. 6).

46 In several states such as England, if the court declares that no infringement exists, the company sending the warning letters can face compensation for damages if those letters were considered unjustified and fraudulent. See J. FAWCETT/P. TORREMANS, *Intellectual Property and Private International Law* (Oxford 1998) 54.

47 ECJ Judgement of 6 December 1994, C-406/92, "*Tatry v. Rataj*", at 23.

48 M. PERTEGAS SENDER, *Cross-border enforcement of patent rights* (Oxford 2002) 179.

Despite this decision by the ECJ, to my knowledge only Spanish courts have declared jurisdiction on the basis of the *forum delicti commissi* to know about these actions.<sup>49</sup> In other Member States, the application of this ground of jurisdiction has been denied on the basis of two cumulative arguments: a) Article 5 (3) has to be narrowly interpreted since it is an exception to the general rule in Article 2 R. 44/2001; b) in actions for declaration of non-infringement there is not a “harmful event”, therefore it cannot be considered that these actions can be filed before the *forum delicti commissi*.<sup>50</sup> These arguments have been upheld in cases of so-called “torpedo actions”,<sup>51</sup> thus, it is highly probable that these judgements were influenced by the need of finding a solution for these abusive strategies. For that reason, this jurisprudence is not conclusive. In any case, the impossibility to file these actions before the courts of the *forum delicti commissi* is clearly established in Article 97 (5) Regulation 207/2009 on the Community Trademark and Article 82 (5) Regulation 6/2002 on the Community Design.

In Japan, neither the CCP nor the Final Draft says anything about actions for declaration of non-infringement. However, there are two possible arguments to sustain that Japanese courts will declare jurisdiction to hear these actions when the IPR is exploited in Japan.

First of all, the existence of *forum rei sitae*: as far as it is considered that these actions concern a “property” (the IPR) located in Japan, Japanese courts would be able to declare jurisdiction. However, if a narrow interpretation of this ground of jurisdiction is sustained, it might be argued that actions on non-infringement of an IPR are not “actions related to property right” in the sense of Section II (3) Final Draft. Therefore, this rule of jurisdiction would not be applicable.

Second, the interpretation of the *forum delicti commissi* in Section II (6) of the Final Draft. There is at least one judgement where the same reasoning as that of the ECJ in

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49 In particular, in Judgement of the Audiencia provincial de Barcelona 26 April 2007 (JUR 2007/270652). Outside the European Union, this interpretation of *forum delicti commissi* can be found in the judgement of the Swiss Supreme Court, 27 November 1991 in: Gewerblicher Rechtsschutz und Urheberrecht, Internationaler Teil 1993, 972.

50 Judgements of the Italian Supreme Court, 19 December 2003, “*Macchine Automatiche v. Windmüller & Holscher*”, Swedish Supreme Court, 14 June de 2000, Ö 2095-99, “*Flootek AB v. Kaldnes Miljoteknologi AS*”, in: International Review of Intellectual Property and Competition Law 2001, 32; Liege District Court, 14 October 1997, “*Joskin v. Vredo*”, in: Revue de Droit intellectuel 2000, 172.

51 Persons who foresee that they are going to be sued for IPR infringement take the initiative and file an action for non-infringement in a Member State that better suits their interests. In such a case, if the right holder subsequently files an infringement complaint in another Member State, the court will find it to be identical to the first action. According to Art. 27 R. 44/2001, *lis pendens* exists; thus the court second seized must stay proceedings until the court first seized declares jurisdiction. M. FRANZOSI, Worldwide Patent Litigation and the Italian Torpedo, in: European Intellectual Property Review 1997, 382; P. DE JONG, “The Belgian Torpedo: From Self-propelled Armament to Jaded Sandwich”, in: European Intellectual Property Review 2005, 75; G. DEL CORNO, Torpedo actions: Present and future, in: Italian Property Review 2002, 77 et seq.

“Tatry” was adopted: “*Miyakoshi v. Gould*”.<sup>52</sup> The US company Gould brought an action in Ohio against Miyakoshi (Japanese) for damages because the plaintiff believed that the defendant had received a trade secret which had been misappropriated by a former employee. As a countermeasure, Miyakoshi filed an action for a negative declaration of liability against Gould in the Tokyo District Court. The court declared jurisdiction based on the fact that Tokyo was the place of negotiation and conclusion of the contract concerning the transfer of technology, and that the transfer itself took place in Tokyo. That is, Japan was the *forum delicti commissi* because the actions whose legality were in question occurred in Japan.

As in any other case, the declaration of jurisdiction to hear about these actions is subject to the application of the “special circumstances test”. In “*Miyakoshi v. Gould*” the court had to decide on precisely this possibility. In fact, there was a strong argument to decline jurisdiction: the existence of a parallel proceeding in the United States between the same parties might not guarantee a quick and efficient proceeding in Japan. Nonetheless, the Tokyo District Court understood that there were no elements that recommended declining jurisdiction. Again, this decision is an example of how discretionary the “special circumstances test” might be.<sup>53</sup>

It is a pity that this case law establishing the application of the *forum delicti commissi* to actions for declaration of non-infringement was not included in black-letter in the Final Draft. Hopefully, Japanese courts will not deviate from the doctrine established in “*Miyakoshi v. Gould*”. An additional argument to sustain this interpretation is the fact that the solution provided by the Tokyo District Court is similar to those established both in the *ALI Principles* (Section 213 (1)) and *CLIP Principles* (Art. 2:602).<sup>54</sup> In my opinion, the interpretation is the most appropriate because it favours legal security in international IPR commerce and does not undermine the defendant’s right to due process. The courts with the closest connection to this kind of action are those of the place of exploitation of the IPR whose infringement is in question – that is, the courts of the *forum delicti commissi*. Therefore, it is reasonable to grant jurisdiction to these courts to hear about this category of actions.<sup>55</sup>

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52 Tokyo District Court, 30 May 1989, in: Hanrei Jihô, vol 1348, 91.

53 An analysis of this decision can be found in D. YOKOMIZO, Cross-Border Exchange of Music Content and Trade Secrets: A View from Japanese Private International Law, in: ZJapanR/J. Japan.L 2009, 174.

54 Again, according to Art. 4 of the *WASEDA Principles*, these actions can be filed before the courts of the country of registration. However, copyright and any other unregistered IPR is excluded from the scope of this ground of jurisdiction. The Japanese Transparency Proposal does not mention anything about this category of actions.

55 Actions for declaration of non-infringement cannot be considered abusive as a general rule; G. CUNIBERTI, Action déclaratoire et droit judiciaire européen, in: Journal Droit International, 2004, 84. Although these actions have been abusively used in Europe to block the filing of actions for infringement, the way to solve the problem of torpedo actions does not

3. *Jurisdiction in cases of IPR infringement in multiple states and the objective joinder of claims in the Final Draft*

The second controversial question about the *forum delicti commissi* is related to the possibility of Japanese courts to declare jurisdiction in those cases where the IPR infringement occurred in Japan and in other(s) state(s) and the defendant does not have a domicile or an office in Japan. Can Japanese courts declare jurisdiction to hear about the whole of the infringement? The need of an adequate regulation of these situations is increasing in relevance due to the fact that complaints for IPR infringement in the Internet are becoming more and more common. Again, two conflicting interests are at stake: the effective protection of intellectual property and the safeguard of the defendant's right to a due process.

The flexibility of the Japanese system of jurisdiction implies important differences with the regulation of this kind of infringements in R. 44/2001. Following the interpretation in "*Fiona Shevill*",<sup>56</sup> and Article 98 (2) R. 207/2009 and Article 83 (2) R. 6/2002,<sup>57</sup> it can be affirmed that the courts of the Member States where the IPR infringement occurred only have jurisdiction to hear actions related to the part of the infringement that took place in their territories.<sup>58</sup> If the plaintiff wants to sue for the whole infringement (regardless of the place where it takes place), the complaint must be filed before the courts of the Member State where the defendant is domiciled or the Member State where the defendant has a permanent establishment.

To my understanding, the application of the "*Fiona Shevill*" case law to actions for infringement of IPR in multiple states ensures an adequate balance between the two objectives at stake.<sup>59</sup> On the one hand, it reduces the possibilities of the plaintiff to practice *forum shopping* because the courts of the countries where the IPR infringement took place can only hear about the part of the infringement that occurred or may occur in that country. Thanks to this, the defendant's due process right is safeguarded. On the other hand, the effective protection of IPR is not undermined because nothing prevents right holders from filing an action for the whole of the infringement in one court. The only

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consist of restricting the possibility of plaintiffs to file these actions before the *forum delicti commissi* but on a reform of the *lis pendens* mechanism in Europe.

56 ECJ Judgement 7 March 1995, C-689/93, "*Shevill v. Presse Alliance*".

57 With a similar wording, these provisions state that: "A [...] court whose jurisdiction is based on [the *forum delicti commissi*] shall have jurisdiction only in respect of acts committed or threatened within the territory of the Member State in which that court is situated."

58 Some authors are of the opinion that the courts of the place where the illegal activities are carried out can declare jurisdiction to know about the whole infringement. Among others, P. MANKOWSKY, Art. 5.3, in: U. Magnus/P. Mankowsky (Eds.), Brussels I Regulation (Munich 2005) 197; H. GAUDEMET-TALLON, Droit international privé de la contrefaçon, in : Recueil Dalloz 2008, 735.

59 A different question arises when the defendant is domiciled in a third country. In such cases, the difficulties that may exist to litigate in that third country and to subsequently enforce the decision may recommend that the courts of the *forum delicti commissi* could declare jurisdiction to know about the whole infringement as far as some conditions are met.

condition is that such a court must be the one with the closest connection to the IPR infringement: those of the Member State where the defendant is domiciled or where the defendant's establishment that committed the infringement is located. This limitation of the competence of the courts of the *forum delicti commissi* is in line with the solutions provided in the *ALI Principles* (Section 204 (1) and (2)) and the *CLIP Principles* (Art. 2:203 (1)).

In Japan, there is no case law concerning the jurisdiction of Japanese courts to hear about an infringement of IPR in multiple states where Japan is one of those states and the defendant is not domiciled or does not have an office in Japanese territory. However, scholars sustain that Japanese courts can declare jurisdiction to hear about the whole of the infringement thanks to the objective joinder of claims in Article 7 CCP. According to this provision, when a plaintiff files a complaint against one person including several claims, a Japanese court can hear about all the claims if that court can declare jurisdiction in one of them pursuant to Articles 4 to 6 CCP.

The landmark case on this ground of jurisdiction is the Supreme Court Judgement "*Ultraman*". This case confronted Japanese company X, copyright owner of the character of a TV series called "Ultraman", and a Thai national domiciled in Thailand who, presumably, was the exclusive licensee of the copyright on "Ultraman" outside Japan. Despite the presumed existence of this license, Japanese company X authorised another company in Japan and a subsidiary of this company to manufacture and distribute "Ultraman" products in several countries in Southeast Asia. The Thai national sent warning letters to the three companies requiring them to cease the distribution of the "Ultraman" products since it was a breach of the contract. In addition, the Thai national filed a complaint before the courts of Thailand against Japanese company X for breach of contract. Subsequently, Japanese company X counterattacked by filing a complaint before the courts of Japan claiming the following: a) compensation of damages deriving from the obstruction of business caused to the plaintiff and its licensees by the sending of warning letters to several companies in Japan; b) negative declaration that the Thai national was not the copyright holder of "Ultraman" in Japan; c) declaration that the contract between Japanese company X and the Thai national was forged; d) declaration that Japanese company X was the copyright owner of "Ultraman" in Thailand; e) declaration that the Thai national was not authorized to exploit the copyright in "Ultraman"; f) an injunction against sending letters by the Thai national stating that he was the copyright owner of "Ultraman" outside Japan and that doing business with Japanese company X violate his exclusive right.<sup>60</sup>

The Supreme Court understood that Japanese courts could declare jurisdiction to hear about claims a) and b) in accordance to *forum delicti commissi* (the harm deriving for sending the warning letters was suffered in Japan) and *forum rei sitae* (the copyright whose ownership is in question is Japanese). Furthermore, pursuant to Article 7 CCP,

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60 The explanation of this case is taken from KONO, *supra* note 3, 234.

Japanese courts could also declare jurisdiction to hear the rest of the claims because they were closely connected to the first two even though they were referred to the ownership and exploitation of copyright outside Japan.<sup>61</sup> Taking this decision into account, Japanese scholars sustain that it is highly probable that Japanese courts would declare jurisdiction in an IPR infringement in multiple states if part of that infringement took place in Japanese territory.<sup>62</sup>

This solution will still apply once the Final Draft is adopted since Section IV (2) (*Jurisdiction over Joint Claims*) enables the objective joinder of claims under the following requirement: “a close relationship [exists] between the claim which is subject to the jurisdiction of Japanese courts and the other claims”.

The application of the objective joinder of claims in these situations entails a problem: what would have happened if, from an infringement that occurred in several countries, just a small part took place in Japan? At first sight, Japanese courts can declare jurisdiction to hear about the action concerning the infringement in Japan and, since the claims concerning the infringement in the other countries are closely connected, the objective joinder of claims would be possible. In my opinion, this solution must be avoided because it may induce litigants to practice *forum shopping* and the defendant’s right to due process can be seriously undermined: they can hardly foresee being sued in Japan.<sup>63</sup>

Would it be possible to avoid these situations by applying the “special circumstances test”? *Prima facie*, the answer should be yes: the fact that the infringement as a whole is not closely connected to Japan may be an argument for the Japanese courts to sustain that declaring jurisdiction in those cases would be contrary to the principles of fairness between the parties and of the expectation of a proper and speedy trial. However, the *Ultraman* decision is another example of how discretionary the test might be. In this case, the Supreme Court understood that Japanese courts could declare jurisdiction and that the “special circumstances test” was not applicable despite the fact that most of the claims by Japanese company X were related to the exploitation of copyright outside Japan, that the defendant was a physical person living in Thailand with few economic resources to litigate, and that there existed a parallel proceeding between the same parties in Thailand.<sup>64</sup>

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61 According to the English summary: “in terms of the reasonable apportionment of judicial functions in the international community, it would not be appropriate to join to [a] claim another claim with which it lacked a close connection, which furthermore would run the risk of complicating or prolonging the relevant trial [...]. If we apply this rule to the facts here, the third through sixth claims all concern a dispute about whether or not the copyright includes the works and whether there is an exclusive right of use. This is substantively the same dispute as in the first and second claims, thus it can be said that there is a close relationship. As a result, we must find that international jurisdiction over the third through sixth claims exists in Japanese courts.”

62 NISHITANI, *supra* note 3, 94.

63 In the same sense, CHAEN / KONO / YOKOMIZO, *supra* note 22, 117.

64 In this sense, KONO, *supra* note 3, 234 f.

A fair balance between the effective protection of intellectual property and the need to preserve the defendant's right to due process can only be ensured if Japanese courts restrict the application of the objective joinder of claims in cases of IPR infringements in multiple countries only to situations where the dispute as a whole is closely connected to Japan. In this sense, the proposal of the Japanese Transparency Project is very interesting: the circumstances under which a joinder is granted are limited to cases where Japan is the place of the primary results of the act (Art. 108 (1)).<sup>65</sup> A similar solution is provided in the *WASEDA Principles* (Art. 11) and the *CLIP Principles* (Art. 2:202 (2) (b)), but only for IPR simultaneously infringed through ubiquitous media such as the Internet.

To end up with the analysis of the *forum delicti commissi*, it is interesting to analyse an amendment in the Final Draft concerning this ground of jurisdiction that may have some influence on the determination of the Japanese courts' jurisdiction of IPR infringements in the Internet. According to Section II (6), this ground of jurisdiction "shall not apply with regard to infringing acts undertaken abroad the effects of which occurred in Japan if it could not have been generally foreseen that the effects of such acts would occur in Japan."

To my understanding, this condition for the application of the *forum delicti commissi* constitutes a special application of the "special circumstances test". In cases where it could not be foreseen that the effects of an infringement could be felt in Japan, a declaration of jurisdiction by Japanese courts would be against the principles of fairness between the parties and of the expectation of a proper and speedy trial.

When dealing with IPR infringements committed in the Internet, this condition is similar to the doctrine of "directing activities" in Europe or the "doing business" doctrine in the United States.<sup>66</sup> According to these criteria, the courts of a particular country can only declare jurisdiction on the basis of *forum delicti commissi* if it can be shown that the web site where the illegal content is hosted is targeted toward that country. *A contrario*: when according to the facts of the case, it could not be foreseen that the information in a web site would be accessed and used in a particular country, the courts of that country cannot declare jurisdiction.

European scholars and the case law of several European countries have identified a number of elements that courts should take into account to determine whether it is foreseeable that the effects of an activity carried out in the Internet would be felt in the country where the action has been filed. In my opinion, the same elements can be used by Japanese courts on the application of Section II (6) of the Final Draft: a) whether the web site that contains the illegal content is active – that is, if the web site allows residents in Japan to enter into a contract or fill up a purchase order – or passive – that is, if the web site only provides information about products and services and does not allow

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65 An explanation of the proposal in CHAEN / KONO / YOKOMIZO, *supra* note 22, 117.

66 A detailed explanation of these doctrines can be found in A. LOPEZ-TARRUELLA, "Criterio de "focalización" y *forum delicti commissi* en las infracciones de propiedad industrial e intelectual en Internet", in: *Revista de propiedad intelectual* 2009, 1.

users to interact with it; b) whether due to the access of the web site from Japan, residents in this country have purchased products or entered into contracts for the provision of services either by electronic or traditional means; c) whether the web site includes technical devices that deny access from IP addresses of computers located in Japan; d) whether the web site contains disclaimers in which the service provider states that the information, the products or the services in the web site are not directed to residents in Japan; e) whether the language used in the web site or the currency used to fix the price of the products are not common for residents in Japan; f) whether the web site is listed in the results of a search engine under the ccTLD “.jp”.<sup>67</sup>

#### V. THE REGULATION IN THE FINAL DRAFT OF THE JURISDICTION OF JAPANESE COURTS IN IPR INFRINGEMENTS COMMITTED BY MULTIPLE DEFENDANTS

It is usually the case that a company has the same IPR protected in several countries (these are the so-called parallel IPR) and is infringed in each of those countries by companies that, although they act as independent legal persons, belong to the same group of companies or multinational corporation. These cases are common in Europe because of the existence of the European patent, and they may arise as well in an international context due to the fact that registration of the same IPR in several countries is facilitated thanks to international instruments such as the Patent Cooperation Treaty, the Madrid system of international trademarks or the Hague system of international designs.

In the past, Dutch courts were known for the flexible application of Article 6 (1) Brussels Convention (R. 44/2001). They used to declare jurisdiction to hear about infringement of the same IPR in several Member States by different defendants if one of the defendants was domiciled in The Netherlands. In particular, these situations were common when dealing with infringements of European patents that had been validated in several Member States. The declaration of jurisdiction was based on the benefits that the concentration of the claims before one court had for the parties and the administration of justice, and on the need to avoid irreconcilable decisions and ensuring a uniform interpretation of the provisions of the European Patent Convention.<sup>68</sup> After a first stage where Dutch courts seemed to be eager to gain jurisdiction in these cases, the application of Article 6 (1) was subject to certain conditions on the basis of the so-called “spider in the web” doctrine.<sup>69</sup> According to it, Dutch courts could only declare jurisdiction in cases of infringement of parallel IPR by several defendants if all of them were companies belonging to the same group and the management epicentre of the group was based in the Netherlands.

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67 LOPEZ-TARRUELLA, *supra* note 66, 51.

68 This obligation is established in Art. 69 of the Convention.

69 Judgement of the Hague Court of Appeals, 23 April 1998, “*Expandable Grafts Partnership v. Boston Scientific*”, in: *European Intellectual Property Review* 1998, N-132.

As is known, the ECJ interpreted that the “spider in the web” doctrine was not compatible with Article 6 (1) R. 44/2001. According to this provision, to concentrate all the complaints before the courts of the Member State of one of the defendants, the following condition must be met: “the claims [must be] so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgements resulting from separate proceedings”. In “*Roche Nederlanden vs. Primus*”,<sup>70</sup> the ECJ understood that for claims to be considered “closely connected” “it is not sufficient that there be a divergence in the outcome of the dispute, but that divergence must also arise in the context of the same situation of law and fact.” In cases of infringement of parallel IPR, there is not a danger of irreconcilable decisions: the territoriality principle makes possible that the IPR can be declared infringed in one country and non-infringed in another. Therefore, in these cases there is neither the same situation of law nor of fact.

The ECJ bases this interpretation on the need to avoid *forum shopping* and to guarantee the predictability of the rules of jurisdiction of R. 44/2001. In the opinion of several authors, while this interpretation is coherent with the present status of the law, it is very defective because it hinders the possibility of right holders to concentrate their claims before one court. This is an important obstacle to the effective protection of IPR.<sup>71</sup>

In Japan, the already-mentioned Article 7 CCP allows the concentration of actions against multiple defendants before a Japanese court as far as this court can declare jurisdiction to hear about one of those actions. The provision includes a reference to Article 38 CCP, according to which the concentration is possible only when all actions “are based on the same ground of facts or laws.” The wording of this provision is maintained as such in Section VI (1) of the Final Draft.

Surprisingly, the interpretation given to the present Article 7 CCP by Japanese courts in certain decisions<sup>72</sup> is stricter than that of the objective joinder of claims.<sup>73</sup> Furthermore, in order to allow the subjective joinder of claims, some Japanese courts have re-

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70 ECJ Judgement 13 July 2006, C-539/03, “*Roche Nederlanden v. Primus*”.

71 In this sense, S. WARNER / S. MIDDLEMISS, Patent Litigation in Multiple Jurisdictions: An End to Cross-border Relief in Europe?, in: *European Intellectual Property Review* 2006, 584; M. WILDERSPIN, La compétence juridictionnelle en matière de litiges concernant la violation des droits de propriété intellectuelle, in: *Revue critique Droit international privé* 2006, 777; C. GONZALEZ BEILFUSS, Is There Any Web for the Spider? Jurisdiction over Co-Defendants after *Roche Nederlanden*, in: A. Nuyts (ed), *International Litigation in Intellectual Property and Information Technology* (The Hague et al. 2008) 79; P. DE MIGUEL ASENSIO, Cross-Border Adjudication of Intellectual Property Rights and Competition between Jurisdictions, in: *Annali italiani di diritto d'autore, della cultura e dello spettacolo* 2007, 124.

72 In particular, Tokyo District Court of 4 April 2006, in: *Hanrei Jihô* No. 1940, 130; Tokyo District Court, 25 October 2004, in: *Hanrei Taimuzu* No. 1185, p. 310; and Supreme Court, 8 June 2001, “*Sadwani*”, in: *Minshû* Vol. 55, No. 4, 727. Available at <http://kanzaki2.lawd.gakushuin.ac.jp/~conflict/procedure/index.html>

73 On this narrow interpretation, T. KONO, “Enforcement of Foreign Intellectual Property Rights in Japan: Jurisdiction and Applicable Law”, in: *CASRIP Publication Series: Rethinking Int'l Intellectual Property* 2000, 27.

quired the existence of special circumstances such that conducting a trial in the courts of Japan, in light of specific facts, conforms to the principles of fairness between the parties and the expectation of a proper and speedy trial.<sup>74</sup> According to this case law, it seems like the subjective joinder of claims in Japan is as restrictive as in Europe.

This has been criticised by some Japanese scholars. In their opinion, there are cases where the conditions for the application of the subjective joinder of claims should be relaxed so that Japanese courts can declare jurisdiction to hear about infringements of parallel IPR. The Japanese Transparency Group submitted the following proposal (Art. 108 (3)):

In cases of multiple claims against different defendants, where the intellectual property rights that are the basis for each claim have been established in different countries, where the courts of Japan are recognized as having international jurisdiction over one of the claims, and where each of the intellectual property rights is substantively related to the others, the courts of Japan shall be recognized as having international jurisdiction over the other claims as well; provided, however, that when international jurisdiction is recognized under provisions regarding special venue, this shall be limited to cases where the primary obligations should have been performed in Japan, or the primary facts occurred or should occur in Japan, and that in regard to different defendants, this shall be limited to persons for whom it would be ordinarily foreseeable that the courts of Japan would have international jurisdiction.

The proposal is based on the benefits that it has for the effective protection of intellectual property to allow right holders to concentrate actions for infringement of parallel IPR at one court. Although the administration of justice is hindered by the fact that in these proceedings there are multiple laws applicable – according to the *lex loci protectionis* rules, the infringement in each state is governed by the law of that state – the benefits of concentration of claims certainly outweigh these problems. Furthermore, the conditions that the proposal establishes for the application of the subjective joinder of claims ensure that the dispute is closely connected with Japan, thus the respect of the rights to due process for defendants domiciled abroad is guaranteed.<sup>75</sup>

The proposal of the Japanese Transparency Group is in line with those of the *ALI Principles* (Section 206) and *CLIP Principles* (Art. 2:206).<sup>76</sup> For the sake of reinforcing the effective enforcement of IPR, it should be followed by Japan in its interpretation of the new Section VI (1) of the Final Draft.

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74 CHAEN / KONO / YOKOMIZO, *supra* note 22, 119.

75 CHAEN / KONO / YOKOMIZO, *supra* note, 22, 127 f.

76 The *WASEDA Principles* enable the subjective joinder of claims in cases of “infringement of the same intellectual property right” (Art. 10).

## VI. FINAL REMARKS

As mentioned in the introduction, the Final Draft introduces few amendments in the regulation of the jurisdiction in international IPR disputes. In any case, they should be welcome because they constitute an improvement to the existing situation:

- a) Section VII makes clear that the “special circumstances test” is not applicable when Japanese courts declare exclusive jurisdiction to hear about actions on the validity or registration of Japanese IPR. This increases the legal certainty in IPR litigation in Japan.
- b) Section II (6) states that *forum delicti commissi* “shall not apply with regard to infringing acts undertaken abroad the effects of which occurred in Japan if it could not have been generally foreseen that the effects of such acts would occur in Japan.” Due to this provision, the situations where right holders can file an action for IPR infringement in Japan will decrease for the benefits of the defendant’s right to due process. Only in those cases where it is predictable for the defendant shall Japanese courts declare jurisdiction.

Besides these improvements, the general conclusion is that the Japanese legislator should have gone further on the regulation of certain issues. The problems that appear on the regulation of some of them may be overcome if Japanese courts follow the existing case law. That is the case of the lack of exclusive jurisdiction when the question of validity of a foreign IPR is raised as a defence in the framework of an action for infringement of that IPR that has been heard by a court in Japan (“*Coral Sand*” case law); or the application of the *forum delicti commissi* to actions for declaration of non-infringement of an IPR in Japan (“*Miyakoshi v. Gould*” case law).

In other cases, an adequate solution will not come just by applying the existing case law. Amendments in the law were needed. That is the case of the jurisdiction of Japanese courts in actions for infringement of IPR in multiple states (when the defendant is not domiciled in Japan, Japanese courts should only declare jurisdiction when the primary results of the infringement occurred in Japan); and the jurisdiction of Japanese courts in cases of infringement of parallel IPR in multiple states by multiple defendants (Japanese courts should only declare jurisdiction when one of the defendants is domiciled in Japan, the primary acts of infringements occurred in Japan and it would be ordinarily foreseeable for all the defendants that the courts of Japan would have international jurisdiction). Unfortunately, the Japanese legislator has missed the chance to make this clear in the Final Draft. Hopefully, as is recommended in this paper, Japanese courts will take into account the interpretation provided by the ECJ to R. 44/2001 and the four academic proposals in the field on the application of the relevant provisions.

## SUMMARY

*The objective of this paper is to analyse the regulation of jurisdiction in intellectual property disputes in the Proposal to Reform the International Civil Procedure Law submitted to the Diet of Japan in March 2010. For this purpose, the regulation in the Proposal is compared with the solutions provided in Europe (Regulation 44/2001) and in four academic proposals recently published. The article is divided into five sections. After an introduction, section II explains the differences that exist in the principles that shape the systems of jurisdiction in Europe and Japan and the consequences that these differences entail for international IPR disputes. In section III, a comparison of regulation of jurisdiction for actions on the registration and validity of IPR is given. Particular attention is paid to the fact that, contrary to the solution in Europe, Japanese case law does not consider that exclusive jurisdiction exists when questions of validity of an IPR are raised as a defence in the proceeding. Section IV focuses on some selected questions concerning jurisdiction in actions on IPR infringement: the existence of a forum rei sitae, the jurisdiction to hear about actions for declaration of non-infringement, and jurisdiction to hear about actions for IPR infringement in multiple states. Section V analyses the problems surrounding jurisdiction in actions of infringement against multiple defendants.*

*After the analysis of all these questions, it can be affirmed that the Proposal does not improve the regulation of jurisdiction in IP matters in Japan. While many of the uncertainties that the Proposal leaves open can be solved by applying the existing case law, others cannot. Because of that it is argued that the Japanese legislator should have gone further. Hopefully, Japanese courts will follow the solutions provided by the ECJ and the existing academic proposals to tackle the remaining uncertainties.*

## ZUSAMMENFASSUNG

*Ziel dieses Aufsatzes ist es, die Gerichtsbarkeitsregelungen in Streitfällen über geistiges Eigentum in dem Gesetzesentwurf zur Reform des Internationalen Zivilprozessrechts zu analysieren, der dem japanischen Parlament im März 2010 unterbreitet wurde. Zu diesem Zweck werden dessen Lösungen mit den im europäischen Entwurf (Verordnung 44/2001) vorgesehenen Regelungen sowie vier kürzlich veröffentlichten akademischen Vorschlägen verglichen. Der Aufsatz ist in fünf Abschnitte unterteilt. Nach einer Einführung zeigt Abschnitt II die grundsätzlichen konzeptionellen Unterschiede zwischen der Gerichtsbarkeit in Europa und Japan sowie die Folgen auf, die sich daraus für internationale Streitigkeiten über geistiges Eigentum ergeben. Abschnitt III vergleicht die unterschiedlichen Regelungen des Gerichtsstands für Klagen über die Registrierung und die Gültigkeit von Rechten an geistigem Eigentum. Besonderes Augenmerk wird auf die Tatsache gerichtet, dass die japanische Rechtsprechung, im Gegensatz zur in Euro-*

*pa präferierten Lösung, nicht davon ausgeht, dass eine ausschließliche Zuständigkeit besteht, wenn die Gültigkeit von Schutzrechten zum Zwecke der Verteidigung im Verfahren bestritten wird. Abschnitt IV konzentriert sich auf einige ausgewählte Fragen zur Zuständigkeit bei Klagen wegen Verletzung geistigen Eigentums: die Annahme eines forum rei sitae, die Gerichtsbarkeit über Klagen auf Feststellung der Nichtverletzung und die Gerichtsbarkeit für Klagen wegen Verletzung gewerblicher Schutzrechte in mehreren Staaten. Abschnitt V untersucht Probleme im Zusammenhang mit Klagen wegen Verletzung gegen mehrere Klagegegner.*

*Nach Auswertung all dieser Fragen ist festzustellen, dass der japanische Entwurf keine Verbesserung gegenüber der bisherigen Praxis bezüglich der Zuständigkeit in Streitigkeiten über geistiges Eigentum darstellt. Obwohl sich viele der Unsicherheiten, die dem Entwurf anhaften, durch eine Anwendung der bestehenden Rechtsprechung klären lassen dürften, gilt dies aber keineswegs für alle. Aus diesem Grund wird argumentiert, dass der japanische Gesetzgeber weiterreichende Lösungen ergreifen sollte. Es bleibt zu hoffen, dass japanische Gerichte den Lösungen des EuGH und den akademischen Vorschlägen folgen werden, um die künftig verbleibenden Unsicherheiten zu bewältigen.*