

Card Reader Case
Supreme Court Decision
(Heisei 14.9.26) *Minshu* vol. 56 no. 7, p. 1551ff

When determining the applicable law in an international patent infringement suit in a case in which international judicial jurisdiction is permissible in Japan, first the nature of each legal action is determined and then the applicable law is decided on the basis of nationality, address, the place where the allegedly infringing action took place, and the like, in accordance with “Horei” (Current law “Tuusokuho” enforced since 2006 as Law No.78).

ISSUE

(1) Can X, who owns a U.S. patent, seek an injunction against Y, who manufactures, in Japan, card reader products that come within the technical scope of the US patent, exports them to U.S., and allows Z (Y’s subsidiary in U.S.) to sell them, as well as a disposal of such card reader products?

(2) Can X claim damages in Japan caused by Y for infringement of the U.S. patent?

FACTS

X (Appellant) has a U.S. patent on an invention titled “FM signal demodulator” (no parallel Japanese patent). Y (Appellee) manufactures “card readers” in Japan and exports the card readers to the U.S., where Z (Y’s subsidiary in U.S.) sells them.

X brought suit against Y in a Japanese court, asserting that, assuming the card readers come within the technical scope of the patented invention and Y’s U.S. subsidiary’s acts infringe X’s U.S. patent, the Appellee’s act of exporting the card readers constitutes inducing infringement of a U.S. patent provided in Section 271(b) of the U.S. Patent Act.

DISPOSITION IN THE LOWER COURT

The lower court (Tokyo High Court) dismissed the demands for injunction and disposal on the grounds that foreign patent are not permitted

to be enforced in Japan under the principle of territoriality, barring contrary provisions under any laws or treaties of Japan.

As for the claim for damages, the court adopted Japanese law as the applicable law under Art. 11(1) of Horei because Y carried out the acts in question in Japan and the demand for damages arises in tort. Referring to Article 11(2) of Horei (Law Concerning the Application of Laws in general), the court then dismissed the claim for damages by stating that the allegedly infringing events had occurred abroad and thus did not constitute a tort in Japan, and because there is no law or treaty that allows enforcement of foreign patents in Japan.

HOLDING AND REASONING

(1) Injunction and disposal:

(a) Necessity of Decision for Applicable Law:

The demands for injunction and disposal in this case include international litigation elements and thus the Court needs to decide the applicable law. The principle of territoriality includes patent rights but the court needs to decide the applicable law in the international civil litigation concerning the foreign patent.

(b) Decision of Legal Nature

The legal nature of the demands for injunction and disposal must be decided based not on tort but on the patent right, because the above-identified demands are different from the meaning and nature of tort and are based on the validity of the said U.S. patent right.

(c) Decision of Applicable Law

We rule that the applicable law governing an action for injunction based on patent right be the law of the country where the said patent right was registered, and accordingly, for said action for injunction, it is adjudicated that the law of the U.S. where the said U.S. patent right was registered be the applicable law.

(d) Applying U.S. Patent Law and 'Public Order'

Japan has employed the above-mentioned principle of territoriality, in which a patent right within a particular country only comes into effect within the territory of the said country, but after carried out in Japan, holding the said U.S. patent right would give rise to the substantially same consequence as allowing the validity of the said U.S. patent right

to extend beyond its territory to our country, which is against the principle of territoriality employed in Japan, and moreover, since there is no treaty between Japan and the U.S. that addresses this matter, it must be irreconcilable to the fundamental principle of Japanese Patent Law. For these reasons, it is appropriate to construe that to order the injunction and disposal sought by applying the provisions of the U.S. Patent Act is contrary to 'public order' as described in Art.33 of Horei.

(2) Claim for Damages:

(a) The court adopted the U.S. Patent Law as the applicable law because the claim for damages arose under tort in Japan, referring to Art. 11(1) of Horei.

(b) The court dismissed the claim for damages by stating the events that had occurred abroad did not constitute tort in Japan, referring to Art. 11(2) of Horei, as long as there are no provisions of laws or treaties of Japan that allow acts that constitute inducing infringement of a U.S. patent pursuant to Section 271(b) of the U.S. Patent Act.