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**PRIVATE INTERNATIONAL LAW ON INTELLECTUAL PROPERTY:
A CIVIL LAW OVERVIEW**

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CONTENTS

	Paragraphs
I. INTRODUCTION	1
II. APPLICATION OF LAWS IN GENERAL	9
A. Savigny's Method in the Field of Private Laws	9
B. Application of Public Law	13
C. Recognition of Foreign Acts of States.....	17
III. CHOICE OF PRIVATE LAW	20
A. Categories and Connecting Factors.....	20
B. Categories.....	25
C. Connecting Factors.....	36
IV. APPLICATION OF PUBLIC LAWS	43
A. Public law aspects of patent law	43
B. A Japanese Case	44
V. JUDICIAL JURISDICTION AND RECOGNITION OF FOREIGN ACTS OF STATE.....	48
A. Judicial Jurisdiction.....	48
B. Recognition of the Validity of Foreign Patent: Act of State Doctrine.....	53
VI. CONCLUSION	57

I. INTRODUCTION

1. The very nature of the object of their protection requires harmonization of national intellectual property laws, since information easily passes over borders. Once a book is taken out of a country, or a person who has memorized a piece of a poem goes abroad, thousands of copies may be produced and sold in many foreign countries. Therefore, persistent efforts have been made by many people, including novelists, artists and publishers, to harmonize intellectual property laws throughout the world. Indeed, intellectual property law is one of the most successful examples of the harmonization of national laws. Many conventions have been ratified by many countries.¹ However, even within their scope of application these conventions did not harmonize the laws of their contracting states as a whole. While some aspects of laws, such as procedural law, were considered as not being in need of harmonization, in other aspects, harmonization has proved to be difficult or impossible.

2. When there are unsurmountable barriers to substantive harmonization of a certain issue, there are two options: One is to take the issue out of the scope of the convention.² This means that each contracting party is free to regulate the issue under its national law as it likes. The other option is to incorporate a choice-of-law provision regarding the issue into the convention.³ This means that all contracting parties determine the law applicable to the issue in the same way. The latter option is the approach of private international law. This is the second-best way to have the cross-border legal situation in order.

3. The main topic of this paper is the application of the private and public laws of countries to substantive legal issues. Indeed the importance of the procedural problems in international intellectual property law cannot be denied, but we have to distinguish the problems concerning the determination of the applicable law from jurisdiction and other procedural problems. Some people tend to argue the application of law problems in the context of litigations. However, the percentage of cases that are decided in the courtrooms is relatively small. Far more cases are dealt with outside the courts. It is important for people to know what law should govern issues that arise in daily life or business. In order to clarify the legal situation, we have to solve the applicable law questions independently from court litigations.

4. In this paper, first, in Chapter II, the fundamental theories for determining the applicable law will be discussed. A historical perspective will help us to understand the present system of private international law as a whole. It will also make it possible to have an overview of the present highly complex problems in the field of international intellectual property. As will be shown, it is important to distinguish private law from public law, since the choice-of-law method is used for private laws while the territorial scope of application is considered with regard to public laws.

5. Second, in Chapter III, the basic structure of choice-of-law provisions in the field of private law will be discussed. The categories and the connecting factors are two key concepts. With regard to the

¹ With regard to copyright law, Berne Convention for the Protection of Literary and Artistic Works, 1886, as amended (147 countries)(Bern Convention); Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, 1961 (67 countries); Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, 1971 (63 countries); WIPO Copyright Treaty, 1996 (21 countries); WIPO Performances and Phonograms Treaty, 1996 (18 countries). Also with regard to patent law: Paris Convention for the Protection of Industrial Property, 1883, as amended (160 countries).

² This option was found in the alternative H for Article 12 as proposed in the Diplomatic Conference on the Protection of Audiovisual Performances, December 7 to 20, 2000. See, Chapter III. b.

³ This option was found in the alternative G for Article 12 and other proposals in the conference as mentioned in *supra* note 2. See, Chapter III. b.

categories, the discussion that took place at the Diplomatic Conference on the Protection of Audiovisual Performances, December 7 to 20, 2000 will be referred to while, with regard to the connecting factors, some provisions of the Berne Convention will be considered.

6. Third, in Chapter IV, the application of public laws will be discussed. As some aspects of industrial property laws are administrative in nature and as they are subject to public regulation in which the countries have direct interests, the choice-of-law method, which is used in the field of private law, cannot be applied. Instead, we have to determine the territorial scope of application, as in the field of public law.

7. Fourth, in Chapter V, jurisdiction and recognition of acts of foreign States will be discussed. One of the controversial provisions in the Hague Preliminary Draft Convention on jurisdiction and recognition and enforcement of foreign judgments in civil and commercial matters will be referred to, and the doctrine concerning the recognition of acts of foreign States will be considered. This doctrine provides another framework for dealing with the effects of sovereign acts of foreign States. It may solve the problem of deciding the validity of foreign registered patents as an incidental question to an infringement dispute pending in a third country.

8. And finally, some conclusions will be summarized in Chapter VI.

II. APPLICATION OF LAWS IN GENERAL

A. Savigny's Method in the Field of Private Laws

9. The present method of determining applicable laws has its roots in the theory of a great German scholar, Friedrich Carl von Savigny (1779-1861). In his famous book, *System des heutigen römischen Rechts* (System of Modern Roman Law), Volume 8th, published in 1849, he asserted that a legal issue in private law should be governed by the law of the place or country with which the issue is most closely connected. He called such place its principal place (*Sitz*) or home country. According to him, each community has its own private legal system based on its own value system, which is independent from the interests of the sovereign state. Therefore, we can apply an appropriate foreign private law to the problem at issue. In order for an issue to be dealt with appropriately, we should apply the law that has the closest connection with the issue, which is the law of the home country. If the same law is chosen to apply to issues in accordance with choice-of-law rules in every country, the differences in the content of the laws of countries do not matter at all. In this way, Savigny's method can achieve the objective of private international law that is to bring order to a cross-border legal situation.

10. This theory was a Copernican revolution in private international law. Before Savigny, the question as to how laws should be applied was discussed with regard to every kind of laws. Thus, according to Bartolus de Sassoferato (1314-1357), who was one of the most famous private international law scholars in those days, the laws relating to personal status should apply personally, in other words, the laws of Milan should apply to citizens of Milan wherever they were; and the laws relating to property should apply territorially, in other words, the laws of Milan should apply to the movables and immovable in Milan irrespective of the nationality of their owner. This way of thinking was reversed by Savigny.

11. Savigny's model has been codified in the acts on private international law of many countries, including the German civil code of 1896⁴ and the Japanese code of 1898.⁵ Although the pre-Savigny

⁴ *Einführungsgesetz zum Bürgerlichen Gesetzbuch* (EGBGB), 1896, as amended.

⁵ The *Horei*, Application of Laws (General) Act, 1898, as amended.

model was adopted in Article 3, Paragraph 3 of the French Civil Code,⁶ since it was enacted before Savigny, Savigny's model has been the basic legal theory of private international law in France. Anglo-American jurisdictions have adopted this model, too.⁷ Furthermore, this model has been adopted in international conventions promulgated under the auspices of the Hague Conference on Private International Law,⁸ among Latin American countries⁹ and in the European Community.¹⁰

12. The basic structure of this choice-of-law method will be discussed in detail in Chapter III.

B. Application of Public Law

13. It is important to note that Savigny's theory applies only to issues of private law. In the area of public law, we are still following the method of pre-Savigny days. It is natural and common to talk about the territorial or extraterritorial application of laws in the field of criminal law, anti-trust law, environmental law or other public law. In the international context, the only question with respect to public law is how far a country can apply its own public law to matters arising outside its territory. The effects doctrine is one of the explanations for applying public laws extraterritorially. On the other hand, foreign public law, in principle, cannot be applied.

14. It is, however, not easy to define the scope of public law. Nevertheless, to the extent that we maintain the choice-of-law method based on Savigny's model for private law, we have to distinguish issues of public law from issues of private law for the purpose of determining the applicability of Savigny's model of private international law.

15. It is not difficult to characterize a rule as belonging to public law when the violation of this rule is criminally punished. A criminal sanction signals the keen interest of the State in ensuring compliance with the rule. In the field of intellectual property law, some infringements are sanctioned by fine or imprisonment. Such rules are public in nature. The applicability of such rules should be determined by the foreign country that enacted them¹¹, and they should not be applied by other countries.

16. In addition, it should be noted that, even if no criminal sanction is provided for, some provisions of industrial property laws seem to be public in nature, especially the provisions relating to registration

⁶ Article 3, Paragraph 3 of the French Civil Code (1804) provides that the provisions on personal status and capacity of a person shall apply to a French person who is in a foreign country.

⁷ In case of the United States of America, see, e.g. Restatement of the Law, First, Conflict of Laws, 1934. However, after the World War II, a revolutionary thesis in conflict of laws began to be asserted in the United States. Among others, the governmental interests approach developed by Brainerd Currie (1912-1965) should be mentioned. According to this approach, in true conflict cases where the governmental interest of each state directly conflict with each other, the law of the state that has greater interests in regulating the issue at stake should be applied. Some courts have adopted this approach especially in tort cases. See, *Babcock v. Jackson*, 191 N.E.2d 279 (1964). From a historical perspective, however, this way of thinking may be seen as just a revival of the pre-Savigny theory.

⁸ With regard to the Hague conventions concluded since 1951, see, <http://www.hcch.net/>.

⁹ With regard to the conventions under the auspice of the Organization of American States, see, <http://www.oas.org/>.

¹⁰ E.g., the EEC Convention on the Law Applicable to Contractual Obligations, 1980 (Rome Convention).

¹¹ E.g., according to Japanese law, the criminal provisions in the Copyright Law shall be applied to Japanese nationals who committed such crime outside the territory of Japan. See, *Keiho-Shikoho* (Application of Criminal Laws (General) Act), 1908 Act No.29.

which are characterized as administrative law. However, it is often difficult to draw a line between issues of private law and issues of public law.¹²

C. Recognition of Foreign Acts of States

17. There are several kinds of sovereign acts of State of which the creation of law is one. As already mentioned, we have two bodies of law, private law and public law. However, with regard to more decisive acts of states, such as judgments ordering people to perform a certain act, or the expropriation of private property, many countries have established a special framework. This is the recognition of foreign acts of States.

18. For example, even if a choice-of-law rule of country A designates the law of country B to be applied to an issue, once a foreign judgment on that issue becomes final and is recognized in country A, such a judgment, even if it resolves the issue differently, by applying the law of country C, overrides the legal status given to the law of country B from the viewpoint of country A.¹³ The recognition of foreign judgments should be considered in the context of the application of laws because of its overriding effect in this regard.

19. A foreign judgment is an act of state which is decisive in nature. Creating industrial property rights like patents or trademarks also seems to be an act of State. If this is the case, as will be discussed in more detail in Chapter IV, the validity of such property rights registered in country C should, like a judgment of country C, be recognized in foreign countries in accordance with their respective requirements.

III. CHOICE OF PRIVATE LAW

A. Categories and Connecting Factors

20. In the field of private law, choice-of-law is considered under Savigny's model of private international law. The basic structure of such a rule is as follows:

21. A is governed by the law of the place (country) of B.

22. A is a category of legal issues and B is a connecting factor. Categories are, for example, capacity, tort, or formal validity of marriage. And connecting factors are, for example, nationality, place of accident, or place of celebration of marriage. Thus, the capacity of a natural person is governed by the law of the country of his or her nationality.¹⁴

23. Issues of private law are divided into categories that are subject to the same connecting factor. Theoretically, at the beginning, with regard to every private law issue, one has to consider with which place or country the issue has the closest connection. This consideration should be done categorically or in an abstract way. One has to find an appropriate connecting factor or factors to designate the place or country most closely connected with the issue. Formerly, a single connecting factor used to be chosen as in the provision on the law applicable to the capacity of a natural person as mentioned above. But recently, more complex approaches tend to be adopted. Among others, the cascade system has become very popular, which requires the combination of plural connecting factors to designate the applicable law, and, if such combination cannot be found, the next step to designate the applicable law

¹² See, a Japanese case introduced in Chapter IV. b.

¹³ According to the rules on recognition of foreign judgments in general, the merits of the judgment cannot be reviewed by the recognizing country. See, Article 28, Paragraph 2 of the Hague Preliminary Draft Convention as mentioned in Chapter V. a.

¹⁴ Article 3, Paragraph 1 of the *Horei*, Application of Laws (General) Act of Japan.

is taken.¹⁵ Party autonomy,¹⁶ which means that the parties concerned may designate a law to govern their issues, also tends to be adopted more and more often.¹⁷ Choosing connecting factors and determining the combination of such factors is very important to achieve the objective of private international law.

24. Then, one can find groups of issues that have similar connections with a certain place or country by using the same connecting factors. The sum of categories must cover all issues of private law. In other words, every issue of private law has to be included in one of the categories.

B. Categories

25. Once a set of categories is adopted, the question to be solved is the characterization of an issue. For example, if X has suffered injury in a traffic accident caused by Y and the amount of damages has to be determined, the issue of damages will be characterized as tort, and according to the choice-of-law provision on tort, the law of the place of the accident will be applied to determine the amount of damages.¹⁸

¹⁵ E.g., a cascade system is found in the Hague Convention on the Law Applicable to Products Liability (1973) as follows:

“Article 4: The applicable law shall be the internal law of the State of the place of injury, if that State is also:

(a) the place of the habitual residence of the person directly suffering damage, or

(b) the principal place of business of the person claimed to be liable, or

(c) the place where the product was acquired by the person directly suffering damage.”

“Article 5: Notwithstanding the provisions of Article 4, the applicable law shall be the internal law of the State of the habitual residence of the person directly suffering damage, if that State is also:

(a) the principal place of business of the person claimed to be liable, or

(b) the place where the product was acquired by the person directly suffering damage.”

“Article 6: Where neither of the laws designated in Articles 4 and 5 applies, the applicable law shall be the internal law of the State of the principal place of business of the person claimed to be liable, unless the claimant bases his claim upon the internal law of the State of the place of injury.”

¹⁶ Party autonomy is very special in the system of choice-of-law, because it does not warrant the governing law to be one that has the closest connection with the issue. However, party autonomy is almost commonly admitted, because it is difficult to find a certain objective connecting factor or factors which designate the most closely connected law to every kind of contract in general. In addition, party autonomy is a good method for parties in business transactions where predictability is valuable. It should be noted that party autonomy has its origin not in Savigny’s method but in a different school. It is said that the origin of party autonomy is found in the works of the French scholar, Charles Dumoulin (1500-1566), or more definitely, in an article written in 1874 by the Italian scholar Pasquale Stanislao Mancini (1817-1888). Incidentally, Savigny himself thought that contracts should be governed by the law of the place where the obligation arising from the contract is to be performed.

¹⁷ E.g., Article 6 of the Hague Convention on the Law Applicable to Succession to the Estates of Deceased Persons (1989); Article 3 of the Hague Convention on the Law Applicable to Matrimonial Property Regimes (1978); Article 6 of the Hague Convention on the Law Applicable to Products Liability (1973) (The claimant can choose either the law of the State of the principal place of business of the person claimed to be liable or the law of the State of the place of injury.)

¹⁸ According to Article 11, Paragraph 1 of the *Horei*, Application of Laws (General) Act of Japan, “the creation and effect of claims arising from ... an unlawful act are governed by the law of the place where the facts giving rise to the claim occur.”

26. On the other hand, *de lege ferenda*, it is sometimes very difficult to determine the scope of a category. The following example shows such difficulty.

27. In the Diplomatic Conference on the Protection of Audiovisual Performances, December 7 to 20, 2000, a choice-of-law provision was in vain discussed to break a deadlock. The problem concerned the transfer of the performer's exclusive rights of authorization with respect to a particular audiovisual fixation. At the beginning, there were four alternatives.¹⁹ The first two, alternatives E and F, were draft provisions on substantive rules, which, if adopted, would have met the objective of the convention which was the harmonization of laws. Another alternative, alternative H, was to provide for nothing on this issue. In between, alternative G was to provide the following choice-of-law rule on this issue:

28. Alternative G: Law Applicable to Transfers

(1) In the absence of any contractual clauses to the contrary, a transfer to the producer of an audiovisual fixation of a performance, by agreement or operation of law, of any of the exclusive rights of authorization granted under this Treaty, shall be governed by the law of the country most closely connected with the particular audiovisual fixation.

(2) The country most closely connected with a particular audiovisual fixation shall be

(i) the Contracting Party in which the producer of the fixation has his headquarters or habitual residence; or

(ii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer, the Contracting Party of which the majority of performers are nationals; or

(iii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer, and where there is no single Contracting Party of which a majority of the performers are nationals, the principal Contracting Party in which the photography takes place.

29. The category here was "a transfer to the producer of an audiovisual fixation of a performance, by agreement or operation of law, of any of the exclusive rights of authorization granted under this Treaty." And a cascade system of connecting factors was proposed: first, party autonomy, second, (2)(i), third, (2)(ii), and finally, (2)(iii).

30. According to the memorandum prepared by the Chairman of the Standing Committee, this provision would not apply to rights of remuneration and to the moral rights of the performer.²⁰ This means that the category did not include rights of remuneration and moral rights of the performer. However, it was not clear whether the category included the inalienability and unwaivability of such rights.

31. In the conference, alternative G became the center of attention. In the process of the discussions, the European Community and its member states proposed an "agreed statement" to be attached to the treaty as follows:

¹⁹ See, IAVP/DC/3, Article 12.

²⁰ Although this explanation concerned alternative E, it can be applied to alternative G as well because the reason for such an interpretation is that the right of remuneration is not exclusive and because "exclusive rights of authorization" is the expression used in other articles concerning performers' economic rights.

“Agreed statement concerning the law applicable to a transfer by agreement: Without prejudice to international obligations, the understanding is hereby confirmed that a transfer by agreement of exclusive rights of authorization granted under this Agreement shall be governed by the law of the country chosen by the parties or, to the extent that the law applicable to the contract has not been chosen, by the law of the country most closely connected with it, without prejudice to any mandatory rules, including on inalienability and unwaivability of rights, in the law of the country where protection is sought.”²¹

32. On the other hand, the United States proposed the following provision to be incorporated in the treaty:

“New Alternative, to replace Alternatives F and G: Law Applicable to Exercise of Exclusive Rights of Authorization

(1) The entitlement to exercise any of the exclusive rights of authorization shall, in the absence of an agreement to the contrary by the performer regarding applicable law, be governed by the law of the country which is most closely connected with a particular audiovisual fixation.

(2) Among the factors that may be considered in determining “the country which is most closely connected with a particular audiovisual fixation” are: the Contracting Party in which the producer of the fixation, or the person or entity which owns or controls the producer, has its headquarters or habitual residence; the Contracting Party of which the majority of performers are nationals; and the Contracting Party in which most of the photography takes place.”²²

33. With regard to the connecting factors, these two proposals were not so different. The priority was given to party autonomy in both proposals, and then the most closely connected country’s law should be applied. Even though only the latter proposal contained the unrestricted list of factors for determining the country most closely connected, this was not an essential difference.

34. The most important difference was the size of the category. In the EC proposal, the category was “a transfer by agreement of exclusive rights of authorization granted under this Agreement” and at least the issues of “inalienability and unwaivability of rights” were excluded from the category. The transfer of rights by agreement in the EC proposal has been a matter of party autonomy in almost every country’s private international law. However, according to the private international law of civil law countries at least, the nature of the rights to be transferred has been governed by the law of such rights themselves.²³ On the other hand, in the US proposal, the category was “(t)he entitlement to exercise any of the exclusive rights of authorization.” The question was what the “entitlement” is. It seemed to include every kind of issues relating to the exercise of exclusive rights of authorization including the “inalienability and unwaivability” of such rights.

35. Even in the final working document prepared by an informal working group, two kinds of categories were left in square brackets: “[an agreement to exercise such rights]” or “[an entitlement to exercise such rights based on the consent of the performer to the fixation].” In short, the Diplomatic Conference of December 2000 failed to find an agreeable category in a choice-of-law provision at that time.

C. Connecting Factors

36. In order to achieve the final objective of the choice-of-law method, which is to have the international legal situation in order by way of applying everywhere the law most closely connected to

²¹ IAVP/DC/12.

²² IAVP/DC/22.

²³ With regard to personal obligation, see, e.g., Article 33, Paragraph 2 of the German Private International Law (EGBGB)(1986).

the issue in question, it is of crucial importance to adopt appropriate connecting factors. It is important to note that some factors are inappropriate to be connecting factors.

37. It is often said that procedural issues are governed by the *lex fori*, i.e., the law of the forum state. Although the place of the court looks like a connecting factor, it cannot function as such, because it does not achieve the constant application of laws to the same issues everywhere. The *lex fori* is different depending on the location of the proceedings. The formula that procedural issues are to be governed by the *lex fori* looks like a choice-of-law rule, but in fact means that the procedural law of the forum applies to the procedural issues arising there. As procedural law is to be characterized as public in nature, this is a natural way of their application.

38. Likewise, the connecting factor adopted in the Berne Convention seems to be disqualified as a connecting factor in its true sense, since it would not further the constant application of law to the issues. Articles 5(2), 6bis(2), 6bis(3), 7(8), 10bis(1), 14bis(2)(a), 14bis(2)(c) and 18(2) of the Berne Convention adopt this connecting factor,²⁴ some of which are as follows:

Article 5 (2): The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

Article 7(8): In any case, the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work.

Article 14bis(2)(a): Ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed.

39. The connecting factor in Article 5(2), that is the country where protection is claimed, can achieve a constant application of law if it is interpreted to mean the country where the infringement occurred. Thus, when a copyright protected under the laws of country A is infringed in country A and the lawsuit for damages thereof is filed in a court of country B, the court of country B applies the law of country A. In this way, if all countries apply the law of country A to the copyright infringement that occurred in country A, the international legal order is secured.

40. However, it would be difficult to apply this interpretation to the same words in Article 7(8), Article 14bis(2)(a) and other articles using this connecting factor. For example, when a movie company X of country A concludes in country B a contract on the public performance of a movie in country C with company Y of country C, which country's law will be applied to decide the ownership of copyright in a cinematographic work in accordance with Article 14bis(2)(a)? If countries A, B and C apply their own law respectively, this means that this provision does not function as a choice-of-law rule as expected in private international law. Every connecting factor in choice-of-law provisions must constantly designate a certain country's law to issues included in each category wherever it comes into question. Thanks to such performance of connecting factors, the international legal situation can be in order.

41. In the light of such performance of the real connecting factors, "the country where protection is claimed" adopted at least in Article 7(8), 14bis(2)(a) and others, except in Article 5(2), is disqualified as a connecting factor. It just means that each country of the Union can apply its own law to the

²⁴ Articles 7.2(1), 7.2(2) and 13(d) of the Rome Convention also adopt this connecting factor.

matters in question.²⁵ If so, there was no need to have such provisions, since it was only natural that the matters not provided for in the convention could be dealt with in the same way as before the convention came into force. If the above interpretation of the words in those provisions is correct, it seems natural to consider that the same connecting factor in Article 5(2) should have the same meaning.

42. In order to consider more complex issues happening especially through the Internet,²⁶ it is necessary for us to reconsider the real meanings of those articles in the Berne Convention and others.²⁷

IV. APPLICATION OF PUBLIC LAWS

A. Public Law Aspects of Patent Law

43. As mentioned in Chapter II., the application of public laws is subject to a different method. The territorial scope of each rule in public law should be considered. Some provisions concerning patents and other industrial property rights (hereinafter only patents will be mentioned) under the national law of countries seem to be characterized as public in nature, since a patent can be regarded as an artificial product of a sovereign act of state. Accordingly, it is appropriate to subject patent law to the principle of territoriality, whereas this would not be the case with regard to copyright law, since copyright should be subject to the choice-of-law method following Savigny's model.

B. A Japanese Case

44. At present, an interesting case is pending in the Supreme Court of Japan. The problem is the application of patent laws of Japan and the United States.

45. A Japanese plaintiff, who is an owner of a patent registered in the United States with regard to a certain kind of electronic device, filed a suit against a Japanese company, which is producing products in Japan in which the electronic devices are incorporated. The plaintiff claimed for, among others, the prohibition of production in Japan and exportation of such products from Japan, and damages for the loss caused by their exportation to the United States in the past. According to the plaintiff, the defendant's activities should be deemed to be active inducement of infringement or contributory infringement of the plaintiff's patent under Section 271 (b) or (c) of the United States Patent Law²⁸

²⁵ It is sometimes said that these provisions provide for national treatment. However, applying its own law does not ensure national treatment, for countries can apply different rules to foreigners or foreign rights. National treatment is provided for separately in Article 5(1) of the Berne Convention. See also, Article 2.1 of the Rome Convention.

²⁶ See, for example, Masato Dogauchi, "Law Applicable to Torts and Copyright Infringement Through the Internet", Jurgen Basedow and Toshiyuki Kono eds., *Legal Aspects of Globalization: Conflict of Laws, Internet, Capital Markets and Insolvency in a Global Economy*, at 49-65 (Kluwer, 2000).

²⁷ According to a proposal submitted by the EC in the Diplomatic Conference in December 2000, "the law of the country where protection is sought" is to be applied to at least inalienability and unwaivability of the exclusive rights of authorization. See, the text accompanying note 21. We have to reconsider the appropriateness of such a connecting factor even in light of its very existence in the Berne Convention and Rome Convention.

²⁸ 35 U.S.C. sec. 271:

"(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

and such provisions were to be applied as if such activities were done in the United States, irrespective of where they had actually taken place.²⁹ The defendant responded that the principle of territoriality should be observed in the field of patent law.

46. The Tokyo District Court dismissed the case.³⁰ On appeal, the Tokyo High Court³¹ held on 27 January 2000 that, with regard to the plaintiff's claims for the prohibition of production and exportation, it was not the United States Patent Law but Japanese Patent Law that should be applied to the activities in Japan in accordance with the principle of territoriality. Since Japanese Patent Law does not prohibit activities violating a foreign patent law, such claims were dismissed. On the other hand, the court applied a choice-of-law provision to determine the law governing damages by the patent infringement, and dismissed the claim for damages under Japanese law designated as applicable law by Article 11 of the *Horei*.³²

47. According to this decision, the rules relating to prohibition of production and exportation under patent laws are characterized as public law, and the rules relating to damages under patent laws are characterized as private law. Accordingly, with regard to the former, only Japanese patent law is applied and the applicability of the United States patent law is denied completely. On the contrary, with regard to damages, in accordance with the choice-of-law rule in the Japanese code of private international law, Japanese law was chosen to apply to the issue.³³ Indeed such a distinction may be challenged as artificial, but this decision seems to represent properly the existence of two kinds of frameworks for the application of laws, one for public law and the other for private law.

[Footnote continued from previous page]

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) ---”

²⁹ See, e.g., *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137 (1975) (Though patent laws of the United States do not have extraterritorial effect, active inducement may be found in events outside the United States, if they result in direct infringement in the United States.).

³⁰ The Tokyo District Court, Judgment on 22 April 1999, *Hanrei Times*, No.1006,p.257; *Hanrei Jiho*, No.1691, p.131. The reason for dismissal was different from that of the Tokyo High Court. With regard to the comparison between these two holdings, see, Masato Dogauchi, Respect for the Act of Foreign State: The Validity of Foreign Patents, paper submitted to Symposium of the Internet Law & Policy Forum(ILPF) on “Jurisdiction II: Global Networks/Local Rules: Doing Business Over a Borderless Medium”, held in San Francisco, 11-12 September 2000 (<http://www.ilpf.org/>).

³¹ The Tokyo High Court, Judgment on 27 January 2000, 1027 *Hanrei Times* 296 (2000).

³² See, *supra* note 18.

³³ In general, in an international tort case, such as cross-border libel by mass media, the applicable law under Article 11 of the *Horei* is normally interpreted to be the law of the place where the victim suffered damage. See, Masato Dogauchi, *Kokusaisiho Nyumon* (Introduction to Private International Law), 4th ed., at 181 (2000)(in Japanese). In this case, in consideration of the fact that the damage as the result of exportation from Japan happened in the United States, the United States law should be applied to the claim for damages.

V. JUDICIAL JURISDICTION AND RECOGNITION OF FOREIGN ACTS OF STATE

A. Judicial Jurisdiction

48. As to procedural law, there are no special rules relating to copyright. General civil procedural rules should be applied. However, in respect of industrial property rights, special consideration required, at least with regard to judicial jurisdiction and recognition of foreign acts of state.

49. In the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters made on 30 October 1999 by the Special Commission of the Hague Conference on Private International Law,³⁴ there is a provision concerning exclusive jurisdiction of particular States' courts in certain kinds of proceedings which reads as follows:

“Article 12 Exclusive jurisdiction

1-3. [omitted]

4. In proceedings which have as their object the registration, validity, [or] nullity [or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit 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. This shall not apply to copyright or any neighboring rights, even though registration or deposit of such rights is possible.

[5. In relation to proceedings which have as their object the infringement of patents, the preceding paragraph does not exclude the jurisdiction of any other court under the Convention or under the national law of a Contracting State.]

[6. The previous paragraphs shall not apply when the matters referred to therein arise as incidental questions.]”

50. The above provision is considered one of the most controversial ones. The problem is whether or not courts of a Contracting State in which the deposit or registration has taken place have exclusive jurisdiction in proceedings concerning the infringement of industrial property rights.³⁵ Such proceedings often involve the question of the validity of the rights themselves as an incidental question. Is it possible for a court of country A to decide on the validity or invalidity of the patent of country B as an incidental question to solve the infringement dispute? Although there are strong opposing opinions among the industry people and patent lawyers in Japan, Japanese lawyers in general seem to be of view that the court of country A may exert its jurisdiction, in so far as one of the grounds of jurisdiction is given.³⁶ The Japanese courts in the case introduced in Chapter IV. b exerted their jurisdiction over the case concerning the infringement of the United States patent, and decided on the merits of the case.³⁷

³⁴ This draft is to be submitted to the Diplomatic Conference to be held in 2001/2002.

³⁵ See Report of the Special Commission, drawn up by Peter Nygh and Fausto Pocar (Prel. Doc. No 11 for the attention of the Nineteenth Session)(2000), at 73.

³⁶ The Institute of Intellectual Property of Japan, *Chiteki Zaisan Funso to Kokusaisiho jou no Kadai ni kansuru Chousa Kenkyu* (Report on Intellectual Property Disputes and Private International Law) (2000)(in Japanese).

³⁷ Even though the court applied Japanese law to the claim for damages and denied the remedy requested, it would have applied United States law to the claim for damages if it had considered the infringement to have taken place in the United States, according to the reasoning of the decision. See, the Tokyo District Court, Judgment on 12 June 1953, *Kakyu Minji Saibanreishu*, Vol.4, No.6, p.847.

51. However, is it possible for country B to recognize a judgment of a court of country A dismissing the claim for damages by holding that the patent validly registered in country B is in fact invalid? It is true that the effect of such judgment is limited to the parties concerned. But it would be contradictory for country B to recognize a foreign judgment that ignored the act of country B. In addition, if such parties are competitors and there are no other competitors at all in the market, the recognition of such a foreign judgment has a decisive effect, for the losing party will be prevented from reinstating a claim for damages arising from the activities dealt with by the foreign court against the winning party again because of the effect of *res judicata* of the recognized foreign judgment.

52. In this respect, the act of state doctrine may play a role to solve the problem.

B. Recognition of the Validity of Foreign Patent: Act of State Doctrine

53. As mentioned in Chapter II.B, in addition to the frameworks regulating the application of private laws and public laws, there is another framework to deal with more decisive acts of state like judgments or expropriations. In general, foreign acts of state are recognized in accordance with certain requirements provided for by the recognizing country. Recognition of foreign judgments is one of the more explicit mechanisms within this general framework.³⁸

54. When one country agrees with others to recognize the effect of acts of other countries, it is under an international obligation to recognize such effect accordingly. Without such an international agreement, there is no rule of general public international law that would force the country to recognize of such foreign acts of State. Accordingly, countries may or may not recognize the effect of foreign acts of State. However, many countries have rules according to which foreign judgments are to be recognized under certain requirements.³⁹ This is because it is better for us all to recognize such acts of State in order to have the international legal situation in order.⁴⁰ And, according to case law in some countries, the effects of expropriation of private property by a foreign state in its territory are also recognized.

³⁸ As establishment of legal entity may be characterized as an act of state, recognition of foreign legal personality is another example for the mechanism of the general framework of this kind. Article 36, Paragraph 1 of the Japanese Civil Code provides for the recognition of foreign legal entities. See Masato Dogauchi, *Point Kokusaisiho, Kakuron*, (Points of Private International law, Selected Issues), at 175 (2000)(in Japanese).

³⁹ In case of Japan, Article 118 of the Code of Civil Procedure provides for the requirements for recognition of foreign judgments as follows: “An irrevocable judgment in a foreign court shall have its effect in so far as it satisfies the following conditions:
 (i) the jurisdiction of the foreign court is admitted either by law or a treaty;
 (ii) the defeated defendant was served summons or an order necessary for the commencement of the procedure other than by service by publication, or has voluntarily appeared without being served similar way of service
 (iii) the contents of the judgment and the procedure thereof are not repugnant to the public policy in Japan, and
 (iv) reciprocity is given.”

⁴⁰ Incidentally, choice-of-law rules for private law issues are also voluntarily adopted by countries.

55. The act of State doctrine under the law of the United States is defined as follows: “In the absence of a treaty or other unambiguous agreement regarding controlling legal principles, courts in the United States 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.”⁴¹ Similar theories as this doctrine can be found in other countries. 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.⁴² A Japanese oil refining company bought crude oil from an Iranian state-owned company which succeeded the assets of an English oil mining company after the expropriation by Iranian Government. The English company tried to attach the crude oil in Japan claiming ownership. The court held that, with regard to such an expropriation within the territory of Iran, “there is no established principle under international law for a court of a State to hold invalid the effect of the law legislated properly by a foreign State.”

56. In the case of patent law, the recognition of the validity of a foreign patent may be explained under the same doctrine, since the grant of patents can be considered as a decisive act of state artificially creating a kind of property. Consequently, according to the act of state doctrine, a court of country A should decide a case involving the infringement of a patent protected under the laws of country B on the condition that it cannot, in principle,⁴³ invalidate the patent which had been validly registered in country B. As far as this condition is met, the state where the patent is registered would find no difficulty to recognize the effect of such a foreign judgment.

VI. CONCLUSION

57. There are many subjects of private international law on intellectual property that could be more deeply discussed with the collaboration of private international lawyers and intellectual property lawyers. We should have the legal situation in order in the Internet age where clear and proper criteria for the application of intellectual property laws of countries are of a keen necessity.

58. In concluding this paper, some important points should be restated as follows:

(1) With regard to private law problems, the choice-of-law rules of Savigny’s model are applied. In this framework, categories and connecting factors are two key concepts. Connecting factors play a role to designate the law applicable to the category of legal issues. The objective of the choice-of-law rules is to apply the law of the most closely connected place or country. In this respect, “the country where protection is claimed” used in some provisions of the Berne Convention cannot be a connecting factor in the true sense of the term. It is necessary for us to reconsider the choice-of-law rules in the field of copyright law.

(2) Where as copyright can be addressed within the framework for the application of private law, another framework is necessary for patent and other industrial property rights, since some aspects of those laws are characterized as public in nature. With regard to public laws, it is necessary to consider the territorial scope of their application. Territorial or extraterritorial application is the problem in the field of public law.

(3) In addition to the above two frameworks, there is another framework for the more decisive acts of State, such as foreign judgments and expropriations by foreign States. Countries

⁴¹ Section 443 (1) of the Restatement Third on the Foreign Relations Law of the United States (1986).

⁴² The Tokyo High Court, Judgment on 11 September 1953, *Kosai Minshu*, Vol.6, No.11, p.702. The defendant won the case.

⁴³ In a case where it is obvious that a foreign patent is invalid, a foreign court may exceptionally hold it invalid as an incidental question for deciding the infringement dispute.

should refrain from examining the validity of such foreign acts of state done within the territory of the foreign State. The grant of industrial property rights by a state is considered to be a sovereign act of State. Accordingly, even if country A exerts its judicial jurisdiction over a case of infringement of a patent of country B, a court of country A should, in principle, refrain from examining the validity of the patent of country B. Then, country B would not find any difficulty to recognize such judgment of country A.

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