

## JAPAN



**ABE & PARTNERS**  
Osaka

*Takanori Abe*



*and*  
*Taro Wakayama*

## Patent transfer agreement raises jurisdiction questions

Globalisation of corporate activities has enabled companies of different nationalities to conclude multinational patent transfer agreements. In this case, a Japanese company and a Korean company agreed to the jurisdiction of the Seoul Central District Court in a multinational patent transfer agreement. The Korean court affirmed the jurisdiction, however the Japanese court denied the jurisdiction regarding the transfer of the Japanese patents at the execution stage. If the jurisdiction agreed by the parties becomes void at a later execution stage in Japan, how should foreign companies decide jurisdiction clauses in multinational patent transfer agreement against Japanese companies?

### Dispute over patent transfer

A was an employee of LG Electronics Incorporated and was engaged in the development of LCD. LG Display Co, Ltd (LGD), which took over the LCD business from LG Electronics Incorporated, entered into a contract with Obayashi Seiko Co, Ltd and A in April 2004 to transfer Japanese patents concerning LCD and their corresponding foreign patents in countries including Korea and the United States to LGD free of charge, because A's invention was regarded as the invention by employee. The parties agreed that the contract should be governed by and construed in accordance with the laws of Korea and the Seoul Central District Court should be the court of competent jurisdiction for the first instance (the jurisdiction clause).

The dispute arose between the parties. Obayashi and A did not comply with LGD's demand to transfer the patents, arguing that there were mistakes in motive because they entered into the contract with a false belief that A's invention was the invention by employee. In October 2006, LGD sued

Obayashi and A in the Seoul Central District Court seeking registration of transfer of the patents based on the contract.

The Seoul Central District Court held that the Korean courts do not have international jurisdiction over the transfer of patents other than Korean patents, because the court of a country where the registration should be made have exclusive international jurisdiction. However, the Seoul High Court held that Korean courts have international jurisdiction over the transfer of patents other than Korean patents and that the court of a country where registration should be made does not have exclusive international jurisdiction, because the main disputes and objects of the trial in this case were the interpretation and validity of the contract which has nothing to do with the establishment and validity of the patents.

The battle continued in Japan where the Japanese courts made the opposite decision to the Korean court. In July 2011, LGD filed actions against Obayashi and A respectively in the Japanese courts seeking execution judgments for the judgment of the Korean court to obtain registration of transfer of the Japanese patents according to the final and binding judgment of the Korean court. However, in November 2012, two courts of first instance in Japan (the Toyohashi branch of the Nagoya District Court and the Shimotsuma branch of the Mito District Court) dismissed LGD's claim. These courts cited the precedent (Supreme Court, judgment of April 28 1998), and held that "an action relating to a registration in Japan" was subject exclusively to the jurisdiction of the Japanese court, that it also applies to the lawsuit seeking registration of transfer of the patents based on the contract, and therefore Korean courts do not have international jurisdiction. The High Courts affirmed these decisions and the cases have been appealed to the Supreme Court.

Meantime, in July 2010, Obayashi and A filed a declaratory judgment action in a Japanese court arguing that LGD has no basis to claim for registration of transfer of the patents. However, in February 2013 the Tokyo District Court dismissed the declaratory judgment action on the ground that

there was no benefit of declaration because the actions seeking execution judgments for the judgment of Korean court were pending in the Japanese courts.

### New legislation in Japan

Regarding the issue of international jurisdiction on registration of transfer of Japanese patents, the Japanese Diet has expressed its position by enacting legislation. In 2011, Code of Civil Procedure was amended to provide that an action relating to a registration shall be subject exclusively to the jurisdiction of the Japanese court if the place where the registration should be made is in Japan (Article 3-5(2)). "An action relating to a registration" includes an action relating to a registration of an IP right, therefore the Japanese court has exclusive international jurisdiction on the lawsuit seeking registration of transfer of the Japanese patents. On the other hand, although the law is not clear, according to the legislator's explanation, the Japanese court does not have exclusive international jurisdiction on the lawsuit seeking registration of transfer of the foreign patents. The effective date of the amendment is April 1 2012. (The old Act applies to a lawsuit pending in the Japanese court at the effective date. Thus, old act applied to the above case. On the other hand, if the patent transfer agreement was concluded in March 2012 and the lawsuit was filed in a Japanese court in May 2012, the new Act applies. In addition, if the patent transfer agreement is concluded after July 2013 and the lawsuit was filed after that, the new Act applies.)

How should foreign companies decide a jurisdiction clause in a multinational patent transfer agreement against Japanese companies in view of the Japanese courts' attitude and the amendment of the Code of Civil Procedure regarding international jurisdiction? Even if foreign courts deny exclusive international jurisdiction over a multinational patent transfer agreement on the court of a country where the registration should be made, the Japanese courts will decide that they have exclusive international jurisdiction over the lawsuit seeking registration of transfer of the Japanese patents.

Therefore, the jurisdiction for Japanese patents should be the Japanese courts. On the other hand, as the Japanese courts do not have exclusive international jurisdiction over a lawsuit seeking registration of transfer of for-

eign patents, the jurisdiction for foreign patents should be the foreign courts. However, dividing jurisdiction into Japanese courts for Japanese patents and foreign courts for foreign patents complicates a dispute and makes an overall resolution impossible. Therefore, it is advisable for foreign companies to make good use of arbitration and have arbitration clauses to resolve the dispute on all the patents at once.