Patent Infringement by Cross-border Acts: Analysis of the Supreme Court Decisions in the Dwango Cases

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Abstract

This paper analyzes two landmark decisions by the Japanese Supreme Court in the Dwango Cases (Cases I and II). The central legal question in these cases was whether activities partially performed abroad could constitute infringement of Japanese patents, given the principle of territoriality, which limits patent rights to the territory where they were granted.

Specifically, the cases addressed whether Japanese patents were infringed when the defendant provided video streaming services to Japanese users using servers located in the United States, allegedly working the patented inventions for presenting users' comments on users' terminal screens.

The Supreme Court confirmed the territoriality principle, but applied it flexibly and affirmed the infringement. The Court emphasized two key

criteria: whether the invention's effects are realized in Japan (primary consideration), and whether the acts economically impact the Japanese patent holder (secondary consideration).

The paper emphasizes the significance of these decisions in balancing territoriality with the realities of digital commerce. However, the decisions are case-specific and narrow in scope, leaving many unresolved questions. One such question is the treatment of acts committed entirely abroad. The author argues that deeming acts performed entirely overseas to be domestic working of an invention is tantamount to recognizing extraterritorial application based on the effects principle, and deviates from the territoriality principle adopted by the Supreme Court. Furthermore, amid the recent international debate over which country's courts should handle patent infringement lawsuits, caution is required when applying patent laws in a manner that amounts to extraterritorial application.

Keywords

the principle of territoriality, patent infringement, cross-border acts, network-related invention

I. Introduction

It is internationally recognized that the principle of territoriality applies to patent rights. The principle means that the effect of a patent right extends only within the territory of the country that granted the patent.[1]

Patent infringement[2] generally occurs when a single entity performs an act relating to a product or method that satisfies all elements constituting a patented invention (all constituent elements set forth in the patent claims). Therefore, particularly with respect to patents relating to system or method inventions, the question of whether cross-border conduct constitutes patent infringement may arise.[3] Since the 1990s, in particular, with the globalization of economic activities and the development of the Internet, the possibility of the above problem has increased, making it one of the important points of contention regarding patent infringement.

Recently, in Japan, cases arose concerning whether Japanese patents for network-related inventions were infringed by the use of a server located abroad. These cases squarely raised the issue of whether patent infringement can be established on the basis of cross-border acts, and, because the cases were appealed to the IP High Court (IPHC) and the Supreme Court, they attracted considerable attention. The cases consisted of two cases involving the same parties but different patent rights. In this paper, these cases are referred to as "Dwango Case I" and "Dwango Case II," and collectively "Dwango Cases," based on the name of the plaintiff. This paper examines the significance of the Supreme Court decisions in the Dwango Cases, primarily from a theoretical perspective.

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[1] The term "territoriality" is sometimes used to refer to the principle of applicable law, i.e., the choice of law of the country for which protection is sought (*lex protectionis*). In this paper, however, the term "territoriality" refers to the principle governing the territorial scope of patent rights. There are various theories regarding the legal basis of the territoriality principle. In Japan, in particular, some commentators argue that the territoriality principle has no legal basis and is merely a matter of policy choice; therefore, courts may ignore it. This issue will be discussed later in the main text.

[2] Many countries generally classify patent infringement into two types: direct infringement, which occurs when a patented invention is worked without a legitimate reason, and indirect infringement, which is an act that is preliminary to or assists direct infringement. In this paper, patent infringement will generally refer to direct infringement.

[3] For patents relating to system or method inventions, there is another issue of whether infringement can be found when different entities separately implement the elements of the invention. Furthermore, if the implementation crosses borders and parts of the invention are carried out by different entities, the cross-border issue and the multiple-entities issue will overlap. However, this paper focuses only on the cross-border issue.

II. Summary of the two cases and the court decisions

1 Overall overview

In both cases, Dwango Co., Ltd. (X), a Japanese corporation, filed suit against FC2, Inc. (Y1), a U.S. corporation, and Homepage System, Inc. (Y2), a Japanese corporation, alleging infringement of X's patent rights and seeking an injunction and damages. The plaintiff's patents pertain to a feature that enables users to exchange comments on video screens within video streaming services. Y1 provides video streaming services (hereinafter the "Services") that display user comments to users located in Japan. Because Y1's web server, comment distribution server, and video streaming server were located in the United States, the question of whether cross-border activities constituted patent infringement arose.

2 Dwango Case I

(1) Overview of the case

In Case I, the infringement of X's patent rights for inventions entitled "Display Device, Comment Display Method, and Program" was at issue. The patent covers device and program inventions that adjust the display areas of the video and user comments, achieving the effect of reducing the difficulty of reading the comments.

In the Services, user comments are displayed alongside video playback. To provide the Services, Y1 (allegedly with Y2) distributes programs from servers located in the United States via the Internet to users' terminals in Japan. When a user accesses a web page for viewing a video related to the Services from a terminal located in Japan, the files related to the programs are transmitted from Y1's servers located in the United States and downloaded to the terminal. Once downloaded, the programs are automatically installed and executable on the terminal. The Services utilize the programs, allowing users to view videos on their terminals with the display area of the video and comments adjusted.

X alleged that the information processing terminals in Japan in which the programs were installed, and the programs themselves, fell within the technical scopes of the patented inventions (device invention and program invention respectively), and that the production and use of the devices in question, as well as the production, transfer, and offer to transfer the programs, by Y1 and Y2, infringed the patent.

(2) First and appellate court decisions

The Tokyo District Court, in the first instance, dismissed the claim, finding that the devices and programs in question did not fall within the technical scopes of the patented inventions.[4]

In contrast, upon X's appeal, the IPHC affirmed that the constituent elements of the patent inventions described in some of the patent claims were satisfied, and recognized direct infringement of the patent right by (1) the provision of the programs in question via telecommunications lines,[5] (2) the offer to provide them, and (3) the production of the programs, as well as indirect infringement (Patent Act, Article 101(i)) of the patent right by (4) the provision of the programs, and partially granted X's claims for an injunction and damages.[6]

The part of the IPHC's decision that dealt with the principle of territoriality stated that "it cannot be denied that the distribution in question [i.e., the act of providing the programs in question] was not entirely completed within the territory of Japan," but that "if, in order for patent infringement to be established for an invention that can be transmitted over a network, the act of providing the programs in question must be formally completed entirely within the territory of Japan...it would easily lead to an escape from liability for patent infringement...it would be extremely unjust to allow such evasive conduct," and that "if, in substance and overall, it can be determined that it [i.e., the act of implementing the patented invention] took place within the territory of Japan, then applying the effect of a Japanese patent to it would not be interpreted as violating the principle of territoriality." The court then stated that, "Considering the act of provision in question, if it can be determined that the provision was made substantially and overall within the territory of Japan, taking into consideration various circumstances, such as whether the provision can be clearly and easily distinguished between the portion made outside the territory of Japan and the portion made within the territory of Japan, whether the control of the provision is exercised within the territory of Japan, whether the provision is directed to customers, etc. located within the territory of Japan, and whether the effects of the patented invention obtained through the provision are manifested within the territory of Japan, then it is appropriate to interpret it as falling under the definition of 'provision' under the Japanese Patent Act," and concluded that the distribution in question was "appropriate to be determined as having been made within the

[4] Tokyo District Court, September 19, 2018, 2016 (Wa) 38565.
[5] This corresponds to Article 2(1)(i) of the Patent Act, which states that "providing" a computer program or anything equivalent through a telecommunications line falls within the concept of "transferring" that is included in the definition of "working" of an invention.
[6] IPHC, July 20, 2022, 2018 (Ne) 10077. For an analysis of the IPHC's decisions in the Dwango Cases, *see* Masabumi Suzuki, *Patent Infringement by Cross-border Acts: Introduction and Analysis of Recent Case Law in Japan*, 53(2) PATENTS & LICENSING 24, available at https://www.wipo.int/export/sites/www/about-wipo/en/offices/japan/docs/law-and-practice.pdf (last accessed December 25, 2025).

territory of Japan" and therefore constituted a "provision."

(3) Supreme Court decision

The Supreme Court accepted the petition for acceptance of final appeal by Y1 and Y2 concerning the lower court's ruling that the distribution in question constituted "provision through telecommunications lines" (Article 2(3)(i) of the Patent Act) and "transfer, etc." (Article 101(i) of the Patent Act), but dismissed the final appeal.[7] Specifically, the Supreme Court stated as follows:

> "4. (1) A Japanese patent right is effective only within the territory of Japan (see 2000 (Ju) 580, the judgment of the First Petty Bench of the Supreme Court of September 26, 2002, Minshu Vol. 56, No. 7, at 1551). However, in the present day, the distribution, etc. of information across national borders through telecommunications lines has become extremely easy, and when computer programs, etc. are transmitted from outside the territory of Japan through telecommunications lines and are provided within the territory of Japan, if it is assumed that a Japanese patent right is not always effective and the provision of the computer programs, etc. mentioned above does not constitute 'provision through a telecommunications line' (Article 2(3)(i) of the Patent Act) just because the computer programs, etc. are transmitted from outside the territory of Japan, this would not be in line with the purpose of the Patent Act, i.e., contributing to the development of industry through protection and encouragement of inventions by allowing a patentee to hold an exclusive right to work the patented invention in the course of trade. It follows that, even in such case, if the act in question, when viewed as a whole, is judged as constituting 'provision through a telecommunications line' substantially within the territory of Japan, there is no reason to prevent us from considering that a Japanese patent right is effective against such act. This reasoning may also apply to 'transfer, etc.' referred to in Article 101(i) of the Patent Act.
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> (2) The Distribution [by Y] is an act of transmitting a file related to the Computer Program from the server located outside the territory of Japan and having the file received by a terminal located inside the territory of Japan, and thus, in appearance, part of this act is performed outside the territory of Japan. However, when viewed as a whole, the Distribution is performed automatically when a user who uses a terminal located in Japan accesses any of the Webpages to receive the provision of the Service, and the Service, through the use of the Computer Program installed in the relevant terminal, enables the user to watch a video, which has been adjusted in terms of the video display

[7] Supreme Court, March 3, 2025, 2023 (Ju) 14 and 15. The English translation of the Supreme Court decision in Case 1 is available on the Supreme Court website: https://www.courts.go.jp/english/Judgments/search/2070/index.html (last accessed December 25, 2025). This paper uses the English translation provided by the Supreme Court with slight changes.

area and the comment display area, on their terminal located in Japan. In light of these points, it can be said that the Distribution is performed in the process of information processing carried out when providing the Service in Japan and is intended to bring about the effect of the Computer Program Inventions automatically on a terminal located in Japan, and that, in relation to such effect being brought about in this manner, there is no special meaning in the fact that the abovementioned server is located outside the territory of Japan. Furthermore, in relation to the fact that the appellee holds the Patent Right, there are no circumstances that would suggest that the Distribution, which is performed in the manner described above, has no economic impact on the appellee. Accordingly, it is appropriate to judge that the appellants, by way of the Distribution, provide the Computer Programs through a telecommunications line substantially within the territory of Japan.

According to the above, it should be said that the Distribution constitutes 'provision through a telecommunications line' referred to in Article 2(3)(i) of the Patent Act.

(3) The Service is intended to ensure that a device that falls within the technical scope of the Device Inventions will be produced and used within the territory of Japan through the Distribution and the subsequent installation of the relevant Computer Program. It can be said that the Distribution automatically brings about the effect of the Device Inventions on terminals located in Japan, and the location of the server and the circumstances regarding an economic impact are the same as described in (2) above. Accordingly, it is appropriate to judge that the appellants, by way of the Distribution, engage in the transfer, etc. of the Computer Programs, which are articles the only use of which is the production of the abovementioned device, as the provision through a telecommunications line, substantially within the territory of Japan.

According to the above, it should be said that the Distribution constitutes 'transfer, etc.' referred to in Article 101(i) of the Patent Act."

3 Dwango Case II

(1) Overview of the case

Case II involved the infringement of X's patent rights for inventions entitled "Comment Delivery System." The patent inventions in question were system inventions that connected terminal devices that displayed videos and user-written comments to a server that transmitted information related to the videos and comments to the terminal devices via a network. The system adjusted the overlapping of comments displayed on the videos, among other things, thereby improving the entertainment value of communication using comments.

X argued that the act by Y1 of distributing the files pertaining to the Services from Y1's

servers existing in the US to the user terminals in Japan falls under "production" (Article 2(3)(i) of the Patent Act) of Y1's systems and infringes on X's patent rights. X also argued that Y2 substantively engages in the above act jointly with Y1. X sought an injunction against Y1 and Y2 to stop the distribution, delete the programs, and remove Y1's servers. X also sought damages for joint tort of patent infringement.

(2) First and appellate court decisions

The Tokyo District Court, in the first instance, strictly interpreted the territoriality principle, stating that in order to constitute "production" under the Patent Act, "a product that satisfies all of the constituent elements of the patented invention must be newly created within Japan," but that this was not found to be the case in this case, and dismissed all of X's claims.[8]

On the other hand, the IPHC, by the Special Division, recognized that Y1's actions constituted "production" of the systems in question and therefore infringed the patent rights.[9] Regarding the principle of territoriality, the IPHC stated, "[F]rom the viewpoint of appropriate protection of the patent right pertaining to the invention of the network-type system, regarding whether or not the act of newly creating the network-type system falls under the 'production' in Article 2(3)(i) of the Patent Act, even if the server, which is a part of the elements constituting the system, exists outside the country, by comprehensively considering a specific mode of the act, a function/role performed in the invention by those elements existing in the country among the elements constituting the system, a place where the effect of the invention can be obtained by use of the system, an influence that the use thereof exerts on the economic profits of the patentee of the invention and the like, it is reasonable to interpret that, when the act is found to be performed in the territory of our country, it falls under the 'production' in Article 2(3)(i) of the Patent Act." In conclusion, the IPHC recognized that Y1's acts constituted "production" of the system and affirmed partly X's claims against Y1.[10]

(3) Supreme Court decision

The Supreme Court accepted the petition for acceptance of final appeal by Y1 concerning

[8] Tokyo District Court, March 24, 2022, 2019 (Wa) 25152.
[9] IPHC, Special Division, May 26, 2023, 2022 (Ne) 10046. English translations of the first and second instance decisions in Dwango Case II are available on the IPHC website at https://www.courts.go.jp/ip/eng/hanrei/g_panel/index.html (last accessed December 25, 2025). The English translation in this paper does not necessarily follow the translation provided by the IPHC.
[10] The IPHC dismissed the claims against Y2, stating that Y2 could not be found to have engaged in business related to the Services after the patent registration in question.

the lower court's ruling that the distribution in question constituted "production" (Article 2(3)(i) of the Patent Act), but dismissed the final appeal.[11] The reasons for the Supreme Court's decision in Case II are essentially the same as those in Case I, except for some minor differences.[12]

III. Analysis

(1) Significance of the two Supreme Court decisions

The main significance of the two Supreme Court decisions lies in the following two points.

First, while the Supreme Court confirmed the principle of territoriality, it demonstrated a willingness to apply the principle flexibly, at least with respect to patents for the types of inventions in these cases.

Second, with respect to the specific acts at issue in the two cases, the court interpreted "provision through telecommunications lines" (Article 2(3)(i) of the Patent Act), "transfer, etc." (Article 101(i) of the Patent Act), and "production" (Article 2(3)(i) of the Patent Act), noting that the acts under consideration produce the effects of the patented invention within the territory of Japan, and secondarily, that the acts have an economic impact on the patent holder, and therefore recognized that the acts under consideration, as acts essentially within the territory of Japan, fall under the above-mentioned statutory acts.

Each of these will be explained in more detail below.

(2) Confirmation and application of the principle of territoriality

Both Supreme Court decisions affirmed that the principle of territoriality governs the cases as a matter of interpretation of the Japanese Patent Act applicable as a result of the choice-of-law analysis.[13] The affirmation was expected, since, as cited in both decisions, the principle

[11] Supreme Court, March 3, 2025, 2023 (Ju) 2028.
[12] About the differences of wording in the two decisions, *see* Shuntaro Yoshino, *Case Commentary*, 109 LAW & TECHNOLOGY (2025) 75, 79 (in Japanese).
[13] The Tokyo District Court and the IPHC discussed choice of law and determined to apply the Japanese Patent Act. Although the Supreme Court did not explicitly address choice of law, it should be understood that the Court agreed with the lower courts' determination of the applicable

of territoriality had already been explicitly affirmed by Supreme Court precedents.[14]

In applying the principle of territoriality, the Supreme Court interpreted the concept of the acts in the provisions of the Patent Act (Article 2(3)(i) to (iii), Article 101, etc.) that are covered by patent rights to mean only acts that are carried out within the territory of Japan. This interpretation is new in a Supreme Court decision.[15]

However, the Supreme Court decisions did not provide any legal basis for the principle of territoriality of patent rights. This is the same as previous Supreme Court decisions that have confirmed the principle. Rather, the Supreme Court decision in the Card Reader case stated, hypothetically, that domestic law or a treaty between Japan and the United States could recognize the extraterritorial application of the effects of Japanese patent rights between the United States and Japan. In light of this, it appears that the Supreme Court does not regard the principle of territoriality as a requirement (legal norm) under international law.

Meanwhile, in Japan, it has long been argued that the legal basis for the principle of territoriality of patent rights is unclear and that it should be "moved away from." Furthermore, a view has been gaining momentum in recent years that, while denying the principle of territoriality, for cross-border actions or even actions totally carried out abroad, the Japanese Patent Act should be applied as the applicable law based on the place of torts (the place of results caused by tortious acts), and infringement of Japanese patent rights should be recognized if the actions harm the interests of patent holders in the Japanese market (hereinafter the "marketplace theory").[16]

However, in my view, the principle of territoriality of patent rights should be recognized as a norm of international law, and Japan's Patent Act should be interpreted accordingly.[17] Therefore, the Supreme Court's understanding of territoriality and the aforementioned

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law.

[14] Supreme Court, July 1, 1997, 1995 (O) 1988 (BBS case); Supreme Court, September 26, 2002, 2000 (Ju) 580 (Card Reader case).

[15] Another possible interpretation would be to interpret the concept of acts such as "production" in Article 2(3) of the Patent Act as not being limited to acts within Japan's territory, while separately applying the principle of territoriality as a legal norm (for example, based on international law or reason), and, together with this, to mean that acts of "production" that are subject to the effects of patent rights are limited to acts within Japan's territory.

[16] *See*, for example, Yasuyuki Echi, *The Significance of the 'Principle of Territoriality' in the IoT Era - Cross-border Implementation of 'Network-Related Inventions' and Patent Infringement*, in LATEST INTELLECTUAL PROPERTY LITIGATION PRACTICE 262 (Toshiaki Makino ed., Seirin-Shoin 2020) (in Japanese); Yasuto Komada, *Place of the Act or the Market?: Network-related Inventions and Territoriality of Patent Rights*, 77 PATENT STUDIES 6 (2024) (in Japanese).

[17] Regarding the basis and significance of the principle of territoriality and the problems with the arguments against the principle, *see* Masabumi Suzuki, *The Principle of Territoriality for Patent Rights*, 76(14) Patent 6 (2023) (in Japanese); Masabumi Suzuki, *Is the Territoriality Principle of Patent Rights Unfounded?*, 74(1) GRUR Int. 1 (2025).

academic theory (which does not recognize territoriality as a legal norm) are incorrect. Internationally, the principle of territoriality is also understood as a legal principle that should naturally be observed.[18]

While both Supreme Court decisions affirmed the principle of territoriality, they also stated that in today's world where the distribution of information via the Internet has become extremely easy, it would be inconsistent with the purpose of the Patent Act to deny patent infringement simply because the acts and configurations at issue in the two cases, such as the distribution (provision) of programs and the construction (production) of systems including servers and terminals, include extraterritorial acts and configurations. Therefore, when the acts as a whole can be determined as essentially working an invention (or indirect infringement) within Japanese territory, the effects of Japanese patent rights should be recognized. This is a reasonable and persuasive view.

Regarding the flexible interpretation of the principle of territoriality, there is a difference in the scope of explanation between the IPHC and the Supreme Court. Specifically, while the IPHC offered a general interpretation concerning patents for network-related inventions, the Supreme Court provided explanations tailored to the specific facts of the two cases at hand. Consequently, the scope of the Supreme Court's decisions is narrower. Therefore, the extent to which the reasoning of these Supreme Court decisions can be applied to other cases remains a question for the future.

(3) Criteria for determining whether an act is within the territory

When interpreting the principle of territoriality flexibly, a key question is which criteria should be used to determine whether the conduct in question constitutes an act within Japan's territory. Regarding this point, the IPHC decisions in Cases I and II each listed multiple factors to consider in parallel. In particular, the Special Division's decision in Case II explicitly referred to "comprehensive consideration." The criteria set out in the IPHC decisions have

[18] Recently, a panel in the "China - Enforcement of Intellectual Property Rights" case at the WTO dispute settlement system, referring to Articles 1.1 and 28.1 of the TRIPS Agreement and Article 4*bis* of the Paris Convention (which is incorporated into the TRIPS Agreement by Article 2.1), stated, "[I]t is important to emphasize that the territorial nature of patent rights means that the exclusive rights identified in Article 28.1 are only valid within the territory of the granting Member" (WT/DS611/11, para. 7.240). Furthermore, the case was submitted to arbitration under the MPIA (Multi-Party Interim Appeal Arbitration Arrangement), an alternative appellate procedure due to the dysfunction of the Appellate Body, and an arbitral award was rendered (Award of the Arbitrators, WT/DS611/ARB25 (21 July 2025)). The arbitral award also confirmed the territorial nature of patent rights, citing the aforementioned statement by the panel (para. 4.83). The award also touched on the territoriality principle in footnote 143 (affirming that private rights under the TRIPS Agreement are territorially defined) and in para. 4.70 (noting that the TRIPS Agreement envisages the territoriality of intellectual property rights).

drawn a variety of opinions on each factor, and there has been much criticism that the factor weightings and the evaluation perspective are unclear, resulting in a lack of predictability.[19]

Both Supreme Court decisions, likely taking into full account the criticism of the IPHC decisions, presented relatively clear criteria that emphasized that the alleged infringing acts produced effects of the patented invention within Japan's territory and had an economic impact on the Japanese patent holder. Furthermore, the phrase "there are no circumstances that would suggest that the Distribution ... has no economic impact on the appellee" implies that the economic impact is merely a secondary consideration. Conversely, the decision suggests that the most important consideration is whether the invention's effects are produced within Japan's territory.

Regarding this standard, first, it is appropriate to emphasize the effect of the invention. It is natural that the most important factor in legally assessing where the "working of an invention" took place is the location where the effect of the invention is realized.[20]

Second, while economic impact is not, in my opinion, a factor that should be emphasized,[21] both Supreme Court decisions seem to have given it a secondary status, and its significance seems to be limited to confirming that the place where the effects of the invention were realized and the place where the act has an impact on the rights holder are not geographically separated. In cases where these places are separated, the place where the effects of the invention were realized will likely be given greater weight, but individual consideration will be required.[22] It should be noted that, in both Supreme Court decisions, the economic impact factor is considered solely in the context of determining the place of alleged infringement, and the marketplace theory that denies the principle of territoriality, as mentioned above, attaches a completely different meaning to economic impact in determining the nexus for the applicable law.

Third, there is the question of the scope of application of the criteria set forth in the two Supreme Court decisions. In other words, depending on the case, factors not mentioned in the two Supreme Court decisions may need to be considered. Since the two Supreme Court decisions set forth the criteria in the context of examining the acts at issue in the two cases, the criteria cannot be considered to be general. However, in my view, emphasizing the location of the invention's effects is appropriate as a general rule. On the other hand, since it was clear that Y1 was engaging in the alleged infringement targeting Japanese users, this was not specifically an issue in these cases. If the effects of the invention were realized in a

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[19] *See*, for example, Suzuki, *supra* note 5, at 10-11.
[20] *Id*., at 12.
[21] *Id*.
[22] In particular, when the alleged infringement is indirect infringement, it seems that the place where the invention was realized and the place where the economic impact was felt are likely to be different.

location that would be difficult for the infringer to recognize, however, such circumstances should also be taken into consideration.[23]

(4) Remaining issue: possibility of infringement by acts totally carried out abroad

The Supreme Court decisions in the Dwango Cases are case-specific, and, in that sense, their significance as precedents for future patent infringement cases involving cross-border activities is limited. Therefore, many issues to be addressed remain.

This paper will focus on only one of these remaining issues: whether acts carried out entirely abroad can still be deemed to constitute working an invention within Japan's territory and therefore constitute an infringement of a Japanese patent right.

Some in the industry argue that if all the "elements of a patent claim" are located overseas, the related act should not be recognized as infringing a Japanese patent right, and that this point should be clarified through legislative measures.[24]

However, the issue at stake is not whether the "elements of a patent claim" are located in Japan, but whether the patented invention was actually worked in Japan. Patent infringement is constituted by the act of working the patented invention (see Article 68 of the Patent Act; see Article 101 of the Patent Act for the fact that indirect infringement is also constituted by "acts"). Therefore, the principle of territoriality should be understood to mean that the effects of a patent right extend only to the act of working the invention within Japan. The Supreme Court's decisions in the Dwango Cases also focused on whether the working could be considered a domestic act, not the location of the devices or other equipment corresponding to the elements of the patent claims. For example, in the case of a network-related system invention, even if all of the physical devices corresponding to the elements of the claims are

[23] Suzuki, *supra* note 5, at 12, argued that "when determining whether a patent right is infringed by a cross-border act, primary emphasis should be placed on the fact that the effect of the patented invention is manifested in Japan. Secondly, the circumstances under which the actor should be held liable for the act of infringement in Japan (as mentioned above, the actor's awareness of committing the act in Japan and the direct relationship between the act and the effect of the invention) are recognized. Then, patent infringement may, in principle, be affirmed as a domestic act."

[24] Kenichi Nagasawa, *Regarding Patent Law Revision for Network-Related Inventions*, 1612 JURIST 74 (2025) (in Japanese). It is not entirely clear why Mr. Nagasawa advocates legislative measures: whether, even assuming the Supreme Court decisions in the Dwango Cases, he believes that infringement of Japanese patent rights can still be recognized when all of the "elements of a patent claim" are located overseas, or whether he wants to counter other commentators' opinion that legislation should introduce provisions that would recognize infringement of Japanese patent rights in the above cases, or both.

located overseas, the "use" or "transfer" of the system by a domestic entity via the Internet could potentially be considered a domestic act. Such a determination would not be inconsistent with the Supreme Court decisions.

On the other hand, if the court finds that the acts constituting the working of the invention are carried out outside Japan, infringement of a Japanese patent right cannot be established under the analytical framework adopted by the Supreme Court decisions in the Dwango Cases. Although the decisions are case-specific, it is clear that the Supreme Court construes the territoriality principle as meaning that the effects of a Japanese patent right extend only to acts of working conducted within Japan. Accordingly, as a general matter, recognizing infringement in the circumstances described above would be inconsistent with the position taken by the Supreme Court.

It has also been argued that, even where all acts constituting the working of the invention are physically performed abroad, infringement of a Japanese patent may nevertheless be affirmed if, based on an overall and substantive assessment, the working is deemed to have taken place within Japan.[25] In theory, this argument may be correct. However, it would require characterizing acts carried out entirely outside Japan as domestic acts of working, which would entail a highly strained interpretation. Moreover, adopting such a characterization would deprive the inquiry into the place of the acts (working of the invention) of its significance; in substance, it would amount to directly focusing on the effects[26] of the alleged infringing acts on Japan rather than the location of the acts. This approach closely resembles the so-called "effects doctrine" or analogous reasoning used to justify extraterritorial application of competition law.[27]

With respect to patent law, special caution is required regarding the international evaluation of practices that may be deemed extraterritorial applications. Considering recent developments in international patent disputes, there is a significant likelihood that such

[25] Professor Tamura argues that "[the view] that at least a portion of the alleged infringing act that conflicts with the claim is implemented domestically is a requirement for affirming infringement of a Japanese patent right" should not be adopted, and when "the alleged infringing act (perhaps meaning its technical effect; author's note) is manifested in Japan," assessing it as a domestic implementation and affirming infringement is "in accordance with the Supreme Court's decisions in the Dwango Cases." (Yoshiyuki Tamura, Case Review, WLJ Case Column 354, available at https://www.thomsonreuters.co.jp/ja/westlaw-japan/column-law/2025/250812/ (last accessed December 25, 2025)).

[26] Whether one emphasizes their impact on the Japanese market or the manifestation of the invention's effects would differ among commentators.

[27] About the effects doctrine in competition law, *see*, for example, Peter Behrens, *The Extraterritorial Reach of EU Competition Law Revisited: The "Effects Doctrine" before the ECJ*, DISCUSSION PAPER, No. 3/16, Europa-Kolleg Hamburg, Institute for European Integration (2016); Bernadette Zelger, *EU Competition Law and Extraterritorial Jurisdiction - A Critical Analysis of the ECJ's Judgment in* Intel, 16 (2-3) EUROPEAN COMPETITION JOURNAL 613 (2020).

extraterritorial application will be viewed as problematic.[28]

V. Conclusion

Both Supreme Court decisions present a realistic and appropriate approach to the application of the principle of territoriality, and their specific treatment of each case is also appropriate. As explained above, the decisions are case-specific and narrow in scope. However, the decisions are clear and substantial enough to provide some guidance on handling future cases. Although the JJapanese government is reportedly considering legislative measures on cross-border infringement,[29] it is advisable, for the time being, to wait for the accumulation of judicial decisions following these Supreme Court decisions to determine whether any legislation is necessary.

[28] *See*, for example, Daniel J. Gervais, The Principle of Territoriality in International Intellectual Property Law and Its Implications for Global FRAND Rate-Setting, GRUR Int. 2025; ikaf141, https://doi.org/10.1093/grurint/ikaf141; Masabumi Suzuki, *Where is International Patent Lawsuit Headed?*, INTELLECTUAL PROPERTY LAW ANNUAL REPORT 2025-2026 (forthcoming) (in Japanese).

[29] *See*, INTELLECTUAL PROPERTY STRATEGY HEADQUARTERS, INTELLECTUAL PROPERTY STRATEGIC PROGRAM 2025 (June 2, 2025) 60 (stating "In light of the increase in cross-border services due to the development of networkrelated technologies, the Patent System Subcommittee of the Intellectual Property Committee of the Industrial Structure Council will consider clarifying the requirements for recognizing cross-border exploitation of network-related inventions as actual domestic exploitation even if part of the constituent elements of the invention are located outside Japan, in cases where infringement can be easily avoided because the server is located overseas; necessary measures, including legal revisions, will be taken."), available at https://www.kantei.go.jp/jp/singi/titeki2/chitekizaisan2025/pdf/shiryo2_e.pdf (last accessed December 25, 2025).

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