Introduction

1) This Study Question concerns joint liability for infringement of patents, trademarks, designs and copyright.

2) Infringement claims that are mainly based on the actions of a single party are generally addressed by existing IP laws. However, in some cases, it is difficult, impractical or impossible for a single party to infringe the intellectual property rights (IPRs) in protected subject matter. In other cases, a party may not themselves be infringing an IPR, but may contract with, or employ or instruct others, to perform some or all of the infringing acts and thereby escape liability for direct or indirect IPR infringement. In these circumstances, it may only be possible to find infringement by combining the actions of more than one party. This is commonly referred to as "joint infringement", and can create significant problems for courts and IP right holders.

Why AIPPI considers this an important area of study

3) There is currently a lack of harmonisation as to whether there is any liability for joint infringement scenarios. In particular, the basis for any liability and the circumstances in which any liability may exist significantly varies amongst jurisdictions.

4) The lack of a comprehensive and consistent doctrine on joint liability may lead to the situation – in particular in cross-border / international scenarios – that parties involved in IPR infringement may escape liability entirely. Alternatively, they may be held liable for the same activity in more than one jurisdiction. Either scenario results in potential imbalance between the appropriate relief (including compensation) to the IPR holder and the allocation of liability to those responsible for the relevant acts.

Relevant treaty provisions

5) TRIPS defines direct infringement, but is silent on what constitutes indirect or contributory infringement. Nonetheless, Article 41 (1) TRIPS requires that there be effective action available against “any” act of infringement.

Scope of this Study Question

7) This Study Question examines situations where acts of a party do not qualify as direct or "contributory" infringement (as defined below), but the party may nonetheless be held liable for such acts because those acts effectively endanger the exclusivity right provided by an IPR, if combined with the acts of others.

8) In AIPPI's Resolution on Q204 – "Liability for contributory infringement of IPRs" (Boston, 2008) "contributory infringement" was defined as a species of indirect infringement, as follows:

… [comprising] only the form of indirect infringement consisting in the offering or supply of means suitable for committing an act that is a direct infringement of an IPR; "contributory infringement" shall not include other acts known as indirect infringements, such as inducement or the provision of or other assistance than the offering or supply of means for committing a direct infringement.

9) In paragraph 3 of Resolution Q204, AIPPI resolved that (emphasis added):

The basic principles for contributory infringement should include that:

- the means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR;
- the means supplied or offered by the contributory infringer are for an infringing use;
- at the time of offering or supply, the suitability and intended use were known to the supplier or obvious under the circumstances.

10) "Contributory infringement" as defined in Resolution Q204 is outside the scope of this Study Question. However, acts referred to or defined as "indirect infringement" which do not fall within the Resolution Q204 definition of "contributory infringement" are within the scope of this Study Question.

11) Accordingly, hereafter for the purposes of this Study Question:

a) **Contributory Infringement** has the meaning given to that term in Resolution Q204 (as set out in paragraphs 8 and 9 above);

b) **Indirect Infringement** means any infringement that is not direct infringement.

c) a reference to **Joint Infringement, Joint Liability**, or **Joint Liability for IPR infringement** means the defendant is jointly liable with one or more other parties, notwithstanding the defendant may not itself be liable for any act of
12) By way of example, the United States (U.S.) and Canada both recognise a form of Indirect Infringement, being the cause of action of "inducement". In the U.S, this covers situations where one party actively or knowingly encourages, aids or otherwise causes another party to commit direct infringement, even if the inducing party does not supply a substantial element of the subject matter of the protected IPR. Similarly, in Canada, to make out an inducing allegation, it must be shown that but for the inducement, the direct infringer would not have engaged in the infringing act. These forms of inducement are within the scope of this Study Question.

13) The scope of this Study Question is limited to civil infringement, and excludes criminal infringement.

Previous work of AIPPI

14) In the Resolution on Q134A – “Enforcement of intellectual property rights - infringement and liability” (Vienna, 1997), AIPPI took the position that in respect of patents, liability for Indirect Infringement does not presuppose that an act of infringement is actually committed by another (the direct infringer). In addition, Resolution Q134A states (emphasis added):

2. The supplying of the means to infringe a patent will constitute indirect infringement at least under the following conditions:

a) there is no consent of the patentee or the licensee to practice the invention; and

b) the means supplied are capable of only one use which relates to an essential element of the invention;

or

the means supplied are capable of uses other than the practice of the invention, but they are supplied with instructions for use which involve the practice of the invention, unless the supplier supplies only staple goods generally available to the market and the supplier has not induced the receiver to infringe the patent.

15) Resolution Q204 recommends that all jurisdictions adopt rules in their IP law concerning Contributory Infringement of IPRs, and that the basic principles should be harmonized. Resolution Q204 states (emphasis added):

3) The basic principles for contributory infringement should include that:

- the means supplied or offered by the contributory infringer relate to a substantial element of the subject matter of the protected IPR;

- the means supplied or offered by the contributory infringer are for an infringing use;
- at the time of offering or supply, the suitability and intended use were known to the supplier or obvious under the circumstances.

4) It should not be a condition for an injunction against contributory infringement that an act of actual infringement is actually committed, if such actual infringement is likely to occur.

5) The remedies for contributory infringement should generally be the same for all types of IPRs.

6) Injunctive relief should, in principle, be available against contributory infringement of IPRs to the same extent as against direct infringement.

7) The IPR owner should be able to hold the contributory infringer liable in damages for any loss that is incurred as a result of the contributory infringement and is not otherwise recovered.

16) AIPPI's Resolution on Q204P – “Liability for contributory infringement of IPRs-certain aspects of patent infringement” (Paris, 2010), defined "Contributory Infringement" in the same way as that term is defined in Resolution Q204. Resolution Q204P further states (emphasis added):

2) It should be a condition for the supply or offering of means to qualify as contributory patent infringement that the means supplied or offered are suitable for committing an act that is a direct patent infringement.

3) It should be a condition for the supply or offering of means to qualify as contributory patent infringement that the person supplying or offering such means knows, or it is obvious in the circumstances, that these means are suitable and intended for putting the invention into effect.

4) It should be a condition for the supply or offering of means to qualify as contributory patent infringement that such means relate to a substantial element of the invention; what is a substantial element should be determined on the basis of the ordinary principles of claim construction and patent interpretation.

8) It need not be a requirement for contributory patent infringement that the intended use of the means offered or supplied would take place in the country where the means are supplied or offered.

9) Injunctive relief should in principle be available against acts of contributory patent infringement to the same extent as against direct infringement. This should include an injunction, if appropriate under national law, on manufacture of the means supplied or offered, if those means can exclusively or mainly be used for patent infringing purposes.

17) In summary, AIPPI has consistently taken the position that Contributory Infringement requires, inter alia, that:
a) the supplied or offered means related to a substantial element of the subject matter of the protected IPR;

b) at the time of offering or supply, the suitability and intended use were known to the supplier or obvious under the circumstances.

18) However, these previous Resolutions do not take a position as to whether acts not meeting the above two basic requirements (supply of a substantial element plus knowledge or obvious suitability) can give rise to Joint Liability for IPR infringement on the basis defined in this Study Question.

Discussion

19) This Study Question primarily concerns three distinct scenarios:

a) There is direct IPR infringement by a party, but the IPR holder wants to pursue another party involved in the relevant acts, but who either:
   i) did not supply a substantial element of the subject matter of the protected IPR (Scenario 1A); or
   ii) did not have knowledge of the IPR infringement (Scenario 1B);

b) There is no direct IPR infringement by any party, but IPR infringement nonetheless occurs as the result of the combined acts of two or more parties (Scenario 2);

c) A combination of Scenario 1 and Scenario 2: there is no direct IPR infringement by any one party, and the IPR infringement occurs by reason of an overseas entity that is controlling the acts of the participating parties described in Scenario 2, but the overseas entity is not itself performing any portion of the IPR infringement (Scenario 3).

20) Scenario 1A could arise because the party directly infringing the IP right is not a “suitable target” for litigation (e.g. because that party is a potential customer). Can the IPR holder nonetheless pursue another party which has encouraged or induced1 the direct or contributory infringer? Such other party could include the landlord of a “Silk Street” type shopping mall (i.e. the stalls in the mall are rented to independent tenants specializing in selling pirated DVDs, fake purses, etc.), the operator of an equivalent online market place, or an advertiser. Such other parties may not supply a substantial element of the subject matter of the protected IPR but nonetheless have knowledge and/or actively encourage or induce the infringement. Should these other parties be jointly liable with the direct infringer?

21) Alternatively, under Scenario 1B, what if the party did supply substantial element of the subject matter of the protected IPR, but did not have any knowledge that such component could be used to infringe an IPR? The actual end use of a product may

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1 Used here in the general sense of meaning to persuade, bring about etc. In other words, including but not limited to the U.S. and Canadian concepts of “inducement”, referred to in paragraph 12) above. This scenario is intended to look more broadly so as to encompass behaviour that might be less than what is required to make out an inducing allegation in the U.S. or Canada.
not be known (or obvious) to the manufacturer of the means, while the means nonetheless realize substantial elements of the subject matter of the protected IPR. For example, a memory chip may implement substantial elements of a technology for addressing memory space within the chip, but infringement of all elements of the claimed invention requires that the chip is built into telecommunication device (e.g. smartphone, tablet or laptop computer) having further features (e.g. a main processor, suitable software). The manufacturer of the memory chip may have no knowledge at all of the end use of its products which are distributed over multiple distribution levels to a plethora of device manufacturers. Further, the specific infringing uses to which the products are ultimately put may not be obvious to the manufacturer.

22) Turning to Scenario 2, under what situation should there be liability for any or all of the parties whose combined acts (only) together constitute IPR infringement? This is referred to as "divided infringement" under U.S. law. Questions include whether it should matter if one of the parties has knowledge of the IPR and the IPR infringement, or whether they all do, or whether one or more of those parties are outside the jurisdiction.

23) In particular in the field of internet-based services, it is often not possible to mount a case of direct infringement. This can be due to territoriality restrictions in the applicable national laws. For example, if a patent relates to a method for transmitting encrypted messages between two servers, and the two servers are owned by independent parties (possibly even located in different jurisdictions), there is question whether the two parties are jointly liable for the overall infringement.

24) A further complication may be introduced, giving rise to Scenario 3. That is, what is the liability for infringement where there is an overseas party "masterminding" or coordinating the activities of the two parties referred to in paragraph 23 above? Should the "mastermind" be jointly liable with the other two parties in those circumstances?

25) It is appreciated that the broader topic of Joint Liability involves many more aspects which could be subject of future further studies by AIPPI. However, this Study Question aims to address these three main scenarios in order to explore some basic rules suitable for harmonization which, as the following examples of the current law in a number of major jurisdictions illustrate, is presently lacking.

**German law**

26) Under German law, the general rules of tort law are applicable to acts which are outside the scope of direct infringement or Contributory Infringement. In general, an act can qualify as:

a) support of infringing acts (Beihilfe);

b) inducement of infringing acts (Anstiftung);

c) joint tortfeasorship (Mittäterschaft); or

d) indirect tortfeasorship (mittelbare Täterschaft).
27) Acts supporting infringement result at least in availability of injunctive relief, even if an element of knowledge / intent is lacking. Damages are also available if certain subjective elements are present. Inducement of infringing acts, joint tortfeasorship and indirect tortfeasorship always require elements of knowledge and intent. All these acts need to relate to acts of direct infringement or Contributory Infringement. Questions of conflict of laws arise if these acts of direct infringement or Contributory Infringement are committed (partly) outside Germany.

UK law

28) In the UK, direct and Indirect Infringement of IP are torts defined by statute. However, it is possible for a person to be liable for those torts even if they have not committed acts that would fall within the statutory definitions of infringement. This liability can arise because:

a) the party participated together with others in a common design to infringe, where at least one of the others committed a statutory infringing act. The parties together are joint tortfeasors, and their liability is joint and several, i.e. they are each separately liable in full for the total loss suffered; or

b) the party incited the commission of a statutory tort of infringement by someone else. This in itself is a tort.

29) An allegation of common design is the preferred approach under modern UK law. Mere passive receipt of information about infringing acts is not enough to trigger liability for joint tortfeasance / common design. The involvement has to be active enough to amount to real participation. For example, a parent company owning 100% of the shares of a subsidiary that infringes does not, without more, automatically mean that the parent company is engaged in a common design with the subsidiary.

30) One of the problems of statutory infringement is that the infringing act must occur in the UK. This is not necessarily the case with common design: depending on the nature of the participation, liability as a joint tortfeasor can be established even if all the relevant acts that give rise to that liability took place outside the UK.

31) The jurisdiction of the court must be anchored in an actionable tort in the UK. This can be the statutory tort of infringement, and expanding a case to include participants in a common design will need to be justified and explained at the outset if those parties are located outside the UK. It is therefore not the case that the existence of a single infringer who commits a statutory tort of infringement in the UK means that parties in a common design located outside the UK can automatically be joined into the case as defendants.

U.S. law

32) U.S. patent law defines two types of indirect patent infringement: contributory infringement and inducement. Regarding contributory patent infringement (hereafter referred to as **U.S. contributory infringement**, 35 U.S.C. § 271(c) provides:
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 an 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.

Thus, both knowledge of the patent and knowledge (or “wilful blindness”) that their actions would lead to infringement of the patent are requirements for a finding of U.S. contributory infringement.

33) Regarding inducement of patent infringement, 35 U.S.C. § 271(c) provides:

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

Although the statute does not mention a knowledge element, case law has found active inducement to imply knowledge of the patent and knowledge that the inducing acts – such as asking another to perform the infringement or selling a product with instructions for an infringing use – would result in infringement.

34) For both U.S. contributory infringement (under U.S. law) and inducement, a threshold requirement is the existence of direct infringement. Therefore, in cases where direct infringement has not occurred or results from the activities of unrelated parties, a claim for U.S. contributory infringement is not available even when the knowledge elements are present.

35) Indirect Infringement of copyright and trademarks is not explicitly defined by statute in the U.S. However, under the case law, liability for Indirect Infringement may fall on a party who, while not directly engaging in copyright or trademark infringement, knowingly induces or materially contributes to such infringement.

You are invited to submit a Report addressing the questions below. Please refer to the 'Protocol for the preparation of Reports'.

Questions

I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

1) Are there any statutory provisions which specifically apply to Joint Liability? If yes, please briefly explain.

2) Under the case law or judicial or administrative practice in your jurisdiction, are there rules which specifically apply to Joint Liability? If yes, please briefly explain.

3) In the following hypotheticals, would party A be liable for Joint Infringement with party X? In each case, please explain why or why not.
a) X sells handbags in a shop which is a small stall located in a shopping mall owned by A. The handbags infringe the registered design of Z. A knows that X (and other tenants) sells infringing goods.

b) X sells handbags in an online shop which is hosted by a large market place platform owned by A. The handbags infringe the registered design of Z. A knows that X (and other web shop operators hosted by A’s market place platform) sells infringing goods via their respective outline shops.

c) X sells handbags in an online shop. The handbags infringe the registered design of Z. A designed the online advertising campaign for X’s shop and books online advertising resources for X on websites and in in search engines. A knows that X sells infringing goods.

d) For each of the hypotheticals in (a) to (c) above, does it make a difference if A merely suspects that X sells infringing goods? If yes, what is the level of "suspicion" required, and how is it demonstrated?

4) In the following hypothetical, would party A be liable for Joint Infringement with party X? In your answer, please explain why or why not?

Z owns a patent claiming a method for addressing memory space within a memory chip which is built into telecommunication device having further features (main processor, suitable software etc.). A manufactures memory chips. The chips are objectively suitable to be used for the claimed method. A's memory chips are distributed over multiple distribution levels to a plethora of device manufacturers. A has no knowledge of the actual end use of its memory chips.

Further, under your Group's law, would it be considered obvious (in the sense of Q204P) that A's chips would be put to one or more infringing uses and if so, why?

5) In the following hypotheticals, would party A be liable for Joint Infringement with party X? Please explain why or why not.

a) Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server “a” and server “b”. A operates server “a” in your country, which exchanges encrypted messages with server “b” operated by X, also located in your country. A and B know that their servers exchange encrypted messages according to the patented method.

b) Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server “a” and server “b”. A operates server “a” in your country, which exchanges encrypted messages with server “b” operated by X, located outside your country. A and B know that their servers exchange encrypted messages according to the patented method.

c) Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server “a” and server “b”. X operates server “a” outside your country, which exchanges encrypted messages with server “b” operated by Z, located in another country outside your country. A, located in
6) Are there any other scenarios which result in Joint Liability for IPR infringement under your Group's current law?

7) What remedies are available against a party found liable for Joint Infringement? In particular:
   a) Is an injunction available?
   b) Are damages or any other form of monetary compensation available; if YES, on what basis?
   c) Are any of the available remedies different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

II. Policy considerations and proposals for improvements of your Group's current law

8) Are there aspects of your Group's current law that could be improved? If YES, please explain.

9) Should acts outside the scope of direct infringement or Contributory Infringement give rise to Joint Liability for IPR infringement? If YES, should that sound in availability of injunctive relieve and/or damages? Please explain why or why not.

10) Should Joint Liability be excluded if one or more acts being necessary for establishing Joint Liability for IPR infringement are committed outside the domestic jurisdiction? Please explain why or why not.

11) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III.

12) Is a consolidated doctrine of Joint Liability for IPR infringement desirable?

13) Is harmonisation of the laws of Joint Liability for IPR infringement desirable?
   If YES, please respond to the following questions without regard to your Group's current law.
   Even if NO, please address the following questions to the extent your Group considers your Group's current law could be improved.

14) Please propose a suitable framework for Joint Liability for IPR infringement, focussing on the hypotheticals set out in Questions 3 to 5 above:
a) The acts in question are limited to activities such as renting retail space, hosting websites, advertising etc. (as further described in Question 3 (a) to (d) above)

b) The means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR, but at the time of offering or supply, the suitability and intended use were not known to the supplier or obvious under the circumstances (as further described in Question 4 above)

c) The infringing acts are divided between two parties, and the acts of each party do not qualify as direct infringement or Contributory Infringement, as further described in Question 5 (a) to (c) above.

15) Are there any other scenarios which should result in Joint Liability for IPR infringement, and where harmonisation is desirable? If YES, please explain.

16) What remedies should be available against a party found liable for Joint Infringement? In particular:

   a) Should an injunction be available?

   b) Should damages or any other form of monetary compensation be available; if YES, on what basis?

   c) Should any available remedies be different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?

17) Please comment on any additional issues concerning any aspect of Joint Liability you consider relevant to this Study Question, having regard to the scope of this Study Question as set out in paragraphs 7 to 13 above.

18) Please indicate which industry sector views are included in your Group's answers to Part III.