

## **Report Q204**

in the name of the Australian Group  
by Peter FRANKE, Melanie JOSE, Ross McFARLANE and Connie MERLINO

### **Liability for Contributory Infringement of IPRs**

#### **Questions**

##### **1) Analysis of current legislation and case law**

- 1) *Does your national law provide for liability for contributory infringement of IPRs, in respect of the offering or supply of means for working an invention, for enabling illicit commercial use of a trademark, for making a copyrighted or design protected product, etc.?*

##### **Copyright**

Sections 36 and 101 of the Copyright Act 1968 provide that copyright is infringed by authorizing the doing of an act that the copyright owner has the exclusive right to do without the consent of the owner.

The Copyright Act 1968 distinguishes between original literary, dramatic, musical and artistic works (works) and cinematograph film, live performances, sound recordings, television broadcasts etc (subject matter other than works). Copyright subsists in all of works and subject matter other than works.

Liability for contributory infringement of copyright can arise in two ways. Firstly, there is the issue of offering or supplying means for making a copyrighted work. Secondly, there is the issue of the authorisation, or facilitating the authorisation, of either or both the use of the means for copying copyrighted works or subject matter other than works.

##### **Registered Designs and Trade Marks**

The Australian Designs Act 2003 and the Trade Marks Act 1995 do not include specific indirect or contributory infringement provisions. Moreover, whilst these Acts grant to the registered owner the exclusive right to authorise other persons to use the trade mark and exploit a product in relation to which a design is registered, such authorisation is not included within the exhaustive lists of actions which constitute an infringement. No case law exists which has considered this apparent conflict.

##### **Patents**

The Australian Patents Act 1990 provides in section 117 that under certain circumstances (see item 3) below) it would be an infringement for someone other than the patentee or licensee to supply a product to another person if the use of that product would itself infringe a patent.

##### **Common Law**

A further general basis for a finding of contributory infringement rests on the general common law doctrine of liability as a joint tortfeasor. If two parties embark upon a course of action, the result of which is to produce an infringement, then they may be held jointly or severally liable for the infringement. This doctrine is applicable in principle to any type of IP right. It is implicit in this doctrine that the parties are agreed upon a course of action, which amounts to an infringement.

- 2) *If so, is it a condition for such liability that the means supplied are actually used by another (the person supplied) for committing acts that amount to direct infringement of the IPR in the same country (or in another country where there is a corresponding IPR)? Are there any additional conditions that apply in such cases?*

### **Copyright**

The conditions of liability under the Copyright Act 1968 and current case law provide:

- that the means supplied do not necessarily need to be used by the person supplied to; and
- there needs to be a *nexus* between the infringing conduct and Australia. Meaning that:
  - the infringing act must occur in Australia, or
  - that the means for making a copyrighted product are supplied from Australia to another country where the infringing of the copyrighted product occurs.

### **Patents**

The legislation is not specific about this issue but a literal reading of the legislation indicates that use of the supplied product overseas would not amount to contributory infringement. Section 12 of the Patents Act explicitly limits the operation of the Act to, in effect, Australia. The plain words of section 117 seem to require an actual or at least threatened putative infringing act occurring, and in view of Section 12, this act would need to occur within Australia.

It is unclear whether Section 12 of the Patents Act requires that the product supplied is actually used by another person supplied to committing an act that amount to direct infringement.

### **Common Law**

The joint tortfeasor doctrine requires that there be at least a threatened actual infringement which has occurred in Australia. In general, Australian courts have been reluctant to accept jurisdiction in relation to foreign IP rights, and the likelihood of a Australian court accepting jurisdiction to restrain (in effect) an infringement which was completed only in another jurisdiction is not high. There is also the overriding issue, should this doctrine be applied, that if the common purpose was to commit some act in another country, whether there is even a common purpose to commit a tort contemplated by the doctrine.

- 3) *If it is not a condition for liability for contributory infringement that the means supplied are actually used by another (the person supplied) for committing acts that amount to direct infringement in the same country (or in another country where there is a corresponding IPR), is it then, on the other hand, a condition for such liability, for example*

- *that the means offered and/or supplied were suitable to be put into an infringing use;*

### **Copyright**

The work supplied must be of a *nature suitable to be put into an infringing use*.

### **Patents**

Contributory infringement will occur if the product supplied *is capable of only one reasonable use* that would result in a direct infringement.

- *that the means relate to an essential, valuable or central element in the invention or product or service that constitutes direct infringement;*

### **Copyright**

This requirement is known as the “doctrine of substantial part” meaning that a substantial part of the copyrighted material needs to have been copied. What constitutes a *substantial part* is determined on the facts of the case.

**Patents**

No such condition is required.

- *that the means offered and/or supplied were actually intended for such use on the part of the person supplied;*

**Copyright**

Current case law holds that it is immaterial whether the intent for infringing use was present, it is enough that the infringing act occurred.

**Patents**

For a product that is not a staple commercial product, contributory infringement will occur *if the supplier had reason to believe* that the person to whom the product was supplied would use it to directly infringe a patent.

- *that the means offered and/or supplied were intended to be put to that use in the country in which they were offered or supplied;*

**Copyright**

Current Australian case law holds that there must be a *nexus between the infringing conduct and Australia*. The case law holds that there are two classes of infringement, one *involving actual infringing conduct in Australia* and the other class *relating to infringing conduct in Australia*.

**Patents**

The plain words of section 117 of the Patents Act 1990 seem to require that an actual or at least threatened putative infringing act would need to *occur in Australia*.

- *that, at the time of offering and/or supply of the means, the suitability and intended use were known to the supplier or were obvious under the circumstances; or*

**Copyright**

Current case law provides that if, at the time of offering and/or supply of the means, the suitability and intended use *were known* to the supplier, or were obvious under the circumstances, an infringing act will have occurred.

**Patents**

Contributory infringement will occur if, for non-staple commercial products, that the person who supplied the product *had reason to believe that the product would be put to an infringing use*.

- *that, to the extent the means are staple commercial products, the supplier induces the person supplied to infringe directly?*

**Copyright**

Current case law in Australia holds that the supplier did not have to have induced the party supplied to infringe directly, for infringing use was present, it is enough that the infringing act occurred.

**Patents**

Contributory infringement exists where the supplier provides instructions for the use of a product, or any inducement to use the product, given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier.

*Are there other conditions? Please respond separately for patents, trademarks, designs, copyright etc., if the rules differ from each area of IPR to the other.*

### **Copyright**

Section 101(1A) of the Copyright Act 1968 recognises that an element of judgment is involved in determining whether a person has, for the purposes of section 101(1) of the Act, authorised another to commit an infringing act.

### **Patents**

There are no other conditions applicable.

### **Common Law**

The joint tortfeasor doctrine does not require any of the foregoing specific conditions to be met, but rather requires that all of the parties have some common objective or course of action. There need not be a formally agreed plan, nor is it even necessary that all participants know the full extent of the plan. However, there must be some agreement or understanding between the parties. It is not relevant whether they are aware that the effect of their actions is to infringe the rights of others.

Hence, the actions of one of the parties, so long as they form part of a common plan to, say, practice a patented method, may in themselves be ordinary and routine, but still attract liability.

- 4) *Are the rules concerning contributory infringement set out in the laws protecting IPR?*

### **Copyright**

The rules concerning contributory infringement are set out in the Copyright Act 1968.

### **Patents**

The rules concerning contributory infringement are contained in the Patents Act 1990.

- 5) *If such protection is not set out in the laws protecting IPR, does it follow from generally applicable principles of e.g. tort law?*

### **Common Law**

The joint tortfeasor doctrine arises from generally applicable principles of tort law, and has been specifically applied in Australia in relation to patent infringement (e.g. *Ramset Fasteners v Advanced Building Systems*, (1999 44 IPR 481)).

- 6) *What are the legal consequences of holding an act to be a contributory infringement of an IPR, in particular:*
- *can the IPR owner obtain injunctive relief to the same extent as in case of direct infringement?*
  - *can the IPR owner obtain damages and other compensation to the same extent as in case of direct infringement, or only relative to the contributory infringer's contribution?*

The consequences of contributory infringement are the same as for direct infringement, under all the bases discussed above. The infringer is liable for the damage suffered, and injunctive relief is available (subject to the court's discretion).

## **II) Proposals for substantive harmonisation**

- 7) *Should measures generally be available against acts that qualify as contributory infringement of IPRs, as defined in these Working Guidelines?*

Yes.

- 8) *If so, what should be the conditions for holding an act to be a contributory infringement of an IPR?*

In the opinion of the Australian Group, a distinction should be made between non-registrable IPRs (e.g. copyright) which are automatically provided internationally to intellectual property owners and registrable IPRs (e.g. patents, registered designs and registered trade marks) which intellectual property owners choose to pursue in some countries and forego in other countries.

### **Registrable IPRs**

When means for working an invention, etc. are supplied from a country in which a registered IPR exists, the supplier should be liable for contributory infringement *if they has reason to believe* that direct infringement of the IPR will ultimately occur *in that country*. For example, where essential parts for a product patented in Australia were supplied from Australia into another country and the supplier was aware that the person supplied intended to make the patented product abroad and export the finished product to Australia (where exploitation of the product would be a direct infringement of the patent), the supplier should be liable for contributory infringement.

When means for working an invention, etc. are supplied from a country in which a registered IPR exists *to a country in which no corresponding IPR exists*, and the supplier had *no reason* to believe that that direct infringement of the IPR will ultimately occur *in the country from which the product was supplied*, then supplier should not be liable for contributory infringement. If a person has chosen to forgo pursuing a registered IPR in a first country, that person should not then be able to then obtain a defacto IPR in that first country by relying upon the contributory infringement of a corresponding registered IPR in a second country to prevent the supply of means from the second country to the first country of means for working that invention in the first country. To do so seems contrary to the basic principle of the territoriality of IPRs.

Even if means for working an invention, etc. are supplied from a first country *in which a registered IPR exists* to a second country in which a corresponding IPR exists, and the supplier is aware that the direct infringement will ultimately occur in the second country, in the opinion of the Australian Group the supplier should still *not* be liable for contributory infringement. To rely upon the occurrence of direct infringement of laws in the second country in order to find contributory infringement of laws in the first country again seems contrary to the basic principle of the territoriality of IPRs, and appears particularly problematic when the scope of protection may differ between the first and second countries.

### **Non-registrable IPRs**

However, the Australian Group is of the view that if means for working an invention, etc. are supplied from a first country in which a *non-registered IPR, which is automatically provided internationally to intellectual property owners*, exists to a second country in which a corresponding IPR exists, and the supplier is aware that the direct infringement will ultimately occur in the second country, in the opinion of the Australian Group the supplier should be liable for contributory infringement in the first country.

For example, current international conventions automatically provide the copyright owner with substantially similar protection internationally. Under these circumstances, the IPR owner is not required to pursue protection in some countries and forego protection in others. Accordingly, if means for making a copyrighted product are supplied from a first country for use in a second country only, the supplier should be liable for contributory infringement of copyright in the first country.

9) *Should the conditions be different for different kinds of IPRs? Why?*

Covered in item 8) above.

10) *What should be the legal consequences of holding an act to amount to contributory infringement of an IPR, in particular?*

- *Should the IPR owner be able to obtain injunctive relief to the same extent as in case of direct infringement?*
- *Should the IPR owner be able to obtain damages and other compensation to the same extent as in case of direct infringement, or only relative to the contributory infringer's contribution?*

The consequences of contributory infringement are the same as for direct infringement. These include the ability to obtain either injunctive relief or damages or both, depending on the circumstances.

11) *Should the legal consequences be different for different kinds of IPR? Why?*

No. Injunctive relief and compensation by way of damages are appropriate legal consequences for each type of IPR. The nature and extent to which either or both remedies will be applied will turn on the facts of the case.

12) *Does your Group have any other views or proposals for harmonisation in this area?*

No.

### **Summary**

Liability for contributory infringement exists under various bases for intellectual property in Australia. In general, an actual or at least threatened infringement within Australia is required in order to attract liability. The exception is copyright, which only requires a nexus between the infringing conduct and Australia.

The Australian group is not in favour of extending contributory infringement for registrable rights to cover the situation where the actual infringement occurs in another jurisdiction, as this offends against the territorial nature of such rights. However, in the case of copyright, where more or less the same rights exist in all convention countries, contributory infringement should be actionable where the actual infringement occurs outside the jurisdiction.

### **Résumé**

Une responsabilité pour non-respect par complicité existe en Australie dans de nombreux cas en matière de propriété intellectuelle. Généralement, une violation, ou au moins un commencement d'exécution de violation, est requise en droit australien pour déclencher une responsabilité. Les droits d'auteur représentent une exception à la règle car seule est requise une connexion entre la conduite résultant en une violation et l'Australie.

Le Groupe australien n'est pas en faveur d'une extension de la responsabilité pour non-respect par complicité de droits enregistrés, qui viserait à couvrir la situation dans laquelle une violation réelle a lieu sous une autre juridiction, car cette provision va à l'encontre de la nature territoriale de tels droits. Toutefois, dans le cas des droits d'auteur, où les mêmes droits existent plus ou moins dans tous les pays de l'accord, un recours pour non-respect par complicité devrait être possible là où la violation réelle a eu lieu en dehors de la juridiction.

### **Zusammenfassung**

Für geistiges Eigentum besteht in Australien eine Haftpflicht bei mittelbarer Patentverletzung auf verschiedenen Grundlagen. Im Allgemeinen ist eine tatsächliche oder zumindest angedrohte

Verletzung innerhalb Australiens notwendig, um zu einer Haftpflicht zu führen. Davon ausgenommen sind Urheberrechte, bei denen lediglich eine Verbindung zwischen der rechtswidrigen Benutzungshandlung und Australien vorhanden sein muss.

Der australische Konzern ist nicht für eine Ausdehnung der mittelbaren Verletzung für eintragungsfähige Rechte auf Situationen, in denen die tatsächliche Verletzung in einem anderen Rechtsraum stattfindet, da dies gegen das territoriale Wesen dieser Rechte verstößt. Im Falle von Urheberrechten, bei denen mehr oder weniger dieselben Rechte in allen Verbandsländern bestehen, sollten mittelbare Verletzungen gerichtlich verfolgbar sein, wenn die tatsächliche Verletzung ausserhalb des Rechtsraum stattfindet.