

## **Report Q204**

in the name of the Canadian Group  
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### **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.?*

The Patent Act in Canada does not expressly provide for liability for infringement in respect of the offering or supply of means for working an invention. Canadian case law does, however, provide for this type of liability under the doctrine of inducing and procuring infringement. The mere selling of articles that may subsequently be used by a purchaser to infringe a patent is not itself an infringement of a patent. There must be something more than just simply offering or supplying the means to infringe. Instead, the following conditions must be satisfied: (a) there must be an actual act of infringement completed by a direct infringer; (b) the completed act of infringement must have been influenced by the seller (the “inducer”), to the point where, without such influence, infringement by the buyer (the direct infringer) would not otherwise have taken place; and (c) the influence must knowingly be exercised by the seller, such that the seller knows that this influence will result in the completion of the act of infringement. For example, in the case of the supply of a patented article in unassembled form, the provision of all of the unassembled parts of the patented article in a single package, accompanied by instructions for assembly or of a sketch of the infringing article to be assembled, as well as the advertising or other encouragement of assembly, would constitute inducing and procuring.

The relative size and level of sophistication of an infringer, as compared to the inducer, may be taken into consideration in establishing inducement. Relationships where the purchasers would reasonably rely on the vendor to protect them from claims for patent infringement of the articles they buy, as is the case for most over-the-counter consumer sales for example, can lead to findings of inducement. It is not necessary for the defendant to make personal contact with the infringing consumer; it is sufficient that the article has been sold by the defendant for the purpose of putting it on the market for the ultimate infringer. For example, the infringement of a claim to the use of a fabric softener sheet in a clothes dryer was found to have been induced by the manufacturer of the fabric softener sheet. The direct infringer was the user of the sheet, namely the actual consumer.

Also, if the alleged direct infringer is the defendant’s agent, or there is a continuing systematic business arrangement that exists between an inducing vendor and the directly infringing purchaser, actionable inducement may very well be found.

It is a direct infringement, under the Canadian *Industrial Design Act*, to deal with a kit which comprises the complete or substantially complete parts for assembly into the protected article, either alone or in concert with others. Thus, the offering or supply of means in this manner

to make a product protected by a registered design, would subject a defendant to direct infringement liability under Canadian law. There is also case law in Canada to indicate that the inducement and procuring test, as applied in the context of patent infringement, can also be used in the context of industrial designs.

Under Canadian copyright law, if the offering and supply of means to make, perform, reproduce or communicate a copyrighted product is viewed as an authorization to do any of those infringing acts, then this will attract liability for infringement under the Canadian *Copyright Act*. Such unlawful "authorization" of copying constitutes direct infringement, not an indirect or contributory infringement. However, the mere supply of equipment or other means for infringing copyright, or the authorization of the use of such equipment or means, is not infringement.

A finding of actionable authorization under copyright law requires a demonstration that the defendant gave approval to, sanctioned, permitted, favoured or otherwise encouraged the infringing conduct. One must examine the relationship between the alleged authorizer and the actual user to see the degree of actual or apparent right to control the actions of the actual user. For example, the maintenance of a photocopier, and the posting of a notice warning that the host will not be responsible for infringing copies made, does not constitute authorization. Also, those who rent out a gramophone, knowing that it will be used to perform a public performance of a theatrical piece are not held to authorize that infringing public performance.

In the case of a musical composition, the supplier of a means or instrument for performing a copyright musical composition is not viewed as an authorizer. Similarly, vendors of video-cassette recorders are not responsible for the unlawful copying of tapes by purchasers, unless there is a common design between the vendors and the buyers to infringe or induce the buyers to infringe.

Internet service providers, acting purely as 'conduits' of information, do not authorize infringement of telecommunication or performing rights in Canada. However, the receipt of notice of infringing content to an Internet service provider and its subsequent failure to respond by its removal may, in some circumstances, lead to a finding of actionable authorization. In terms of telecommunications, the Canadian *Copyright Act* establishes that persons who only supply "the means of telecommunication necessary for another person to so communicate" are not to be considered parties to an infringing communication. A "telecommunication" is defined as "any transmission of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual, optical or other electromagnetic system". The "means" in the statute are meant to include all software connection equipment, connectivity services, hosting and other facilities and services without which such communication would not occur. Thus, Internet service providers are viewed as intermediaries and remain mere "conduits" as long as they do not engage in acts that relate to the content of the communication.

It is an infringement of copyright under the *Copyright Act* in Canada for any person to make or possess a plate that has been specifically designed or adapted for the purpose of making infringing copies of a work or other protected subject matter. Likewise, it is an infringement of copyright under the Canadian statute to make a contrivance by means of which certain protected works may be mechanically reproduced or performed. It is also an infringement of copyright under the said Act to permit a theatre or other place of entertainment to be used for the performance in public of a work or other protected subject matter without the consent of the copyright owner, unless that person was not aware, and had no reasonable ground for suspecting, that the performance would be an infringement of copyright.

The *Trade-marks Act* in Canada does not speak of contributory, inducing, or indirect infringement. It is thought that the same principles as discussed above in relation to inducement and procurement may apply under appropriate circumstances.

In addition to all the foregoing, the common law principles applicable to the determination of joint or several liability under general tort law apply to the finding and apportionment of liability for intellectual property infringement in Canada.

- 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?*

In every case except for the statutory concept of authorizing infringement under the Copyright Act, it is necessary to establish an act of direct infringement in order to support a finding of indirect infringement. Such direct infringement must take place in Canada. It is not clear under Canadian law whether the inducing activity must also take place within Canada in order to find indirect infringement. Case law under the general law of torts suggests that inducement may occur outside of Canada to support a determination of indirect infringement for underlying infringement that occurs in Canada.

- 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;*
- that the means relate to an essential, valuable or central element in the invention or product or service that constitutes direct infringement;*
- that the means offered and/or supplied were actually intended for such use on the part of the person supplied;*
- 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;*
- 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*
- that, to the extent the means are staple commercial products, the supplier induces the person supplied to infringe directly?*

*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.*

Under the Canadian statute, the right of authorization granted to the owner of copyright is a separate right from the right of reproduction. Thus, it is possible for a party to infringe the authorization right simply by authorizing any acts reserved to the owner of copyright under the Act, regardless of whether the alleged infringer ultimately infringes the underlying separate right.

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

No, other than with respect to certain of the rules as they pertain to copyright and industrial designs. See the answer to Question 1 above.

- 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?*

Please see the answer to Question 1 above.

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 same remedies are generally available for inducing or indirect infringement under statute law, at common law and in equity as prevail for instances of direct infringement.

## **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?*

Except for the existing statutory provisions in Canada which govern contributory infringement of various IPRs, the Canadian Group is of the view that indirect infringement should not be established outside of situations representing knowing acts of inducement or procurement, recognized instances of vicarious liability and other well-established principles of joint or several liability under tort law.

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

Not applicable.

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

Apart from the differences reflected in the existing statutory provisions regarding contributory infringement, the conditions for recognizing contributory infringement are otherwise universal on account of the general principles of tort law on which they are based in Canada.

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?*

Given the equivalence in Canada between direct and indirect infringement, the legal consequences as to the availability of injunctive relief and of damages or other compensation are not conditioned or restricted in any way according to rules preventing multiple recovery for the same act of infringement or rules governing the apportionment of damages among joint tortfeasors.

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

The legal consequences should not be different, given that the principles of contributory infringement established outside of statute are of universal application in Canada. The only such differences which prevail in Canada are based on the available scope of remedies that may inherently be different for each of the classes of intellectual property rights.

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

None.

## **Summary**

Under Canadian law, liability for intellectual property infringement in respect of the offering or supply of means that are used to perform an infringing act is dealt with under the doctrine of inducing and procuring infringement. The following conditions must be found to hold a defendant liable: (a) there must be an actual act of infringement completed by a direct infringer; (b) the completed act of infringement must have been influenced by the seller, to the point where, without such influence, infringement by the buyer would not otherwise have taken place; and (c) the influence must knowingly be exercised by the seller, such that the seller knows that this influence will result in the completion of the act of infringement. Thus, in Canada the mere selling of articles that may subsequently be used by a purchaser to infringe a patent is not itself an infringement of a patent. There must be something more than just simply offering or supplying the means to infringe. Under Canadian copyright law in particular, if the offering and supply of means to make, perform, reproduce or communicate a copyrighted product is viewed as an authorization to do any of those infringing acts, then this will attract liability for infringement. However, the mere supply of equipment or other means for infringing copyright, or the authorization of the use of such equipment or means, is not infringement. The trade-marks statute, however, in Canada does not speak of contributory, inducing, or indirect infringement. It is thought that the same principles as discussed above in relation to inducement and procurement may apply under appropriate circumstances. In addition to all the foregoing, the common law principles applicable to the determination of joint or several liability under general tort law also apply to the finding and apportionment of liability for intellectual property infringement in Canada.