

Report Q204

in the name of the Philippine Group

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 Intellectual Property Code of the Philippines ("IP Code") is a special law that provides for the criminal and civil liability of a contributory infringer with respect to patented inventions, designs or utility models. Section 76.6 of the IP Code provides that "anyone who actively induces the infringement of a patent or provides the infringer with a component of a patented product or of a product produced because of a patented process knowing it to be especially adopted for infringing the patented invention and not suitable for substantial non-infringing use shall be liable for contributory infringement and shall be jointly and severally liable with the infringer".

In case of copyright, Section 217 of the IP Code provides that "any person infringing (a copyright) or aiding or abetting such infringement" shall be guilty of a crime that is punishable by imprisonment and the payment of a fine.

There is no equivalent provision that punishes contributory trademark infringement under the IP Code. On the other hand, the IP Code expressly exempts a printer who is "innocent" from infringement since Section 159.2 of the IP Code states that one who is "engaged solely in the business of printing the mark or other infringing materials for others is an innocent infringer" and the owner of the right infringed shall be entitled as against such infringer only to an injunction against future printing. This exemption from infringement is the same with respect to a publisher or distributor of a newspaper, magazine, periodical or electronic communication containing the infringing material, provided that such publisher or distributor is innocent or does not abet the infringement.

Despite the lack of provision on contributory infringement relating to trademarks in the IP Code, it is submitted that any person who is not a direct infringer but aids or abets another to commit trademark infringement may be civilly liable to the IPR owner under Article 21 of the Civil Code of the Philippines that provides that: "any person who wilfully causes or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage".

- 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?*

Not necessarily.

Section 76.6 of the IP Code provides that anyone “who actively induces the infringement of a patent” shall be liable of contributory infringement. This means that the mere inducement to commit patent infringement amounts to contributory infringement. It is thus not necessary that the “inducer” actually supplied means or a component to the direct infringer in order for infringement to take place.

Section 76.6 of the IP Code also provides that anyone “who provides the infringer with a component of a patented product or of a product produced because of a patented process knowing it to be especially adopted for infringing the patented invention and not suitable for substantial non-infringing use shall be liable for contributory infringement and shall be jointly and severally liable with the infringer”. This means that the direct infringer should have used the component of a patented product or the infringing product itself. The direct infringement would not have been possible if it were not for the object supplied by the contributory infringer.

In either case, Section 76.6 of the IP Code provides that the contributory infringer shall be jointly and severally liable with the infringer, which presupposes that direct infringement shall have first taken place. Thus, it appears that a person domiciled in the Philippines cannot be made liable for contributory infringement if the direct infringement occurred in another country, since the application of the IP Code is territorial.

In case of copyright, Section 217 of the IP Code punishes anybody who “aids” or “abets” copyright infringement. The law is not clear whether the means supplied must actually be used by another (the person supplied) for committing acts that amount to direct infringement. Being general in nature, Section 217 of the IP Code may be construed to include inducement or the provision of other assistance than the offering or supply of means for committing a direct infringement.

- 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.

Other than as discussed under item 3 above, the IP Code does not provide for any condition on how contributory infringement may take place, whether with respect to patent, copyright or trademark.

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

Yes, the rules concerning contributory infringement for patents and copyright are explicitly provided in the IP Code. However, there is no equivalent provision in the same law relating to contributory infringement of trademarks.

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?*

To proceed against any person who aids or abets another to commit trademark infringement, one must invoke Article 21 of the Civil Code of the Philippines that provides that: "any person who wilfully causes or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage". It appears that the only available remedy against such person who aids or abets trademark infringement is an action for damages under the Civil Code and injunctive relief under the Rules of Court.

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?*

Yes. Injunctive relief may be obtained against the contributory infringer to the same extent as in the 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?*

In case of patents, the IP Code considers the contributory infringer as jointly and severally liable with the direct infringer. Hence, the IPR owner can obtain damages and other compensation against any of the infringers, whether direct or contributory.

In case of copyright, Section 216 of the IP Code provides that "any person" infringing a copyright shall pay to the copyright owner or his assigns or heirs such damages, legal costs, expenses incurred as well as profits the infringer may have made due to the infringement. While it is not expressly stated in the IP Code, it is submitted that the contributory infringer is jointly and severally liable with the direct infringer as in United States case law, on which the IP Code is based.

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. The IP Code does not define what acts qualify as contributory infringement in relation to copyright as it merely punishes "aiding or abetting" infringement. It is submitted that "aiding" or "abetting" copyright must be clearly defined considering that, under the present law, any act that appears to encourage copyright infringement such as mere knowledge of the infringement but not supplying any means to further the same, may be deemed as "abetting".

On the other hand, the IP Code is silent on contributory infringement relating to trademarks. The IP Code must provide for conditions or acts to qualify as contributory infringement.

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

To be considered as contributory infringement, an act must be of such nature that it is intended to be in furtherance of the commission of infringement. Moreover, in order for there to be a finding of contributory infringement, direct infringement should have been first committed.

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

No, the conditions should be the same for all IPRs.

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?*

Yes, as in the case under Philippine law.

– *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?*

In the Philippines, only damages and other expenses as proved by the IPR owner will be awarded by the court. Since direct and contributory infringers are jointly and severally liable against the IPR owner, the IPR owner is entitled to full compensation and the direct and contributory infringers' respective shares in the compensation to the IPR owner is an issue to be settled between the infringers.

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

No. The legal consequences should be the same for all kinds of IPRs.

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

It is also not clear why the IP Code punishes contributory infringement in patents and copyright, but not in relation to trademarks. It may be because the enumerated acts of direct infringement are broad enough to cover any other act that leads to or causes the infringement. However, it must be determined whether the IP Code should be amended to see whether some preparatory acts should be considered merely as contributory and not direct infringement.

Summary

The Intellectual Property Code of the Philippines ("IP Code") expressly provides what constitutes contributory infringement with respect to patented inventions, designs or utility models. In case of copyright, however, the law does not expressly define what contributory infringement is but penalizes the "aiding" or "abetting" of copyright infringement.

There is no provision in the IP Code on contributory infringement relating to trademarks. The IP Code in fact exempts a printer of the mark or other infringing material from infringement where they were solely engaged in the business of printing and are innocent. The same is true for a publisher of the infringing material, provided that they are innocent of the infringement.

It is also not clear why the IP Code punishes contributory infringement in patents and copyright, but not in relation to trademarks. It may be because the enumerated acts of direct infringement are broad enough to cover any other act that leads to or causes the infringement. However, it must be determined whether the IP Code should be amended to see whether some preparatory acts should be considered merely as contributory and not direct infringement.

It is also submitted that “aiding” or “abetting” copyright must be clearly defined under the IP Code considering that, under the relevant provision of the law, any act that appears to encourage copyright infringement such as mere knowledge of the infringement but not supplying any means to further the same, may be deemed as “abetting”.