

Report Q204

in the name of the South African Group
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Liability for Contributory Infringement of IPRs

Questions

I) 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.?*

As more fully elaborated upon below, contributory patent, design or trade mark infringement, as well as contributory passing off, may be a ground upon which to take legal action in terms of the South African common law of delict (tort). Certain acts of contributory copyright infringement are specifically prohibited by statute. A few exceptions to contributory infringement are provided for by statute in respect of contributory infringements taking place on the Internet.

PATENTS AND DESIGNS

The nature of patent and design infringement and the available remedies for the infringement of such an IPR are set out in the South African Patents Act 57 of 1978 (as amended) ("Patents Act") and the South African Designs Act 195 of 1993 (as amended) ("Designs Act").

More particularly both the Patents Act and the Designs Act set out the exclusive rights of a patentee and/or holder of a design registration, these rights namely being the right to exclude others from making, using, exercising, disposing, or offering to dispose of, or importing into the Republic of South Africa (Patents Act only) the invention and/or the registered design (or a design not substantially different there from).

The issue of contributory infringement often arises in the context of a party aiding and abetting, advising, inciting, instigating or assisting (hereinafter, and except unless specifically distinguished, all the aforesaid conduct shall be referred to as "induce", "inducing" or "inducement" as the case may be and the party shall be referred to as the "Supplier") another party (hereinafter referred to as the "Supplied Party") to perform those acts exclusively reserved for the IPR holder.

The act of inducement is not provided for in the Patents and Designs Act and accordingly if such acts are to be found to be unlawful, the ground for unlawfulness is to be found *aliunde* the Patent and Design Acts.

The matter of contributory infringement, in the context of patents, found recent attention in the court of the first instance for patent infringement matters, namely the Court of the Commissioner of Patents in the case of **Grande Paroisse Société Anonyme and Sasol Limited together with Kaltenbach Thuring Société Anonyme (2003 BIP 11 (CP))**.

In short, the judgement confirms the fact that in South African law the issue of contributory infringement is to be dealt with in terms of the common law of delict (tort), South African common law being a mixture of Roman and Dutch law.

TRADE MARKS

Registered trade marks and trade marks that qualify for well known mark protection in South Africa are protected under the Trade Marks Act 194 of 1993, which has no provisions specifically dealing with contributory trade mark infringement.

Degrees of participation in trade mark infringement was first dealt with by the South African courts in **Dan River Mills Inc v Shalom Investments (Pty) Ltd (unreported WLD decision & November 1969)**, in which the court applied the common law principle for delictual liability to the question of contributory trade mark infringement under the 1963 Trade Marks Acts. Under this principle, any person/s instigating, aiding or abetting the commissioning of delictual wrong, and any person authorising another to commit the delictual wrong on his behalf, may be held liable for that wrong, in addition to the person that actually committed the wrong in question. The Appellate Division (as the court was known at the time) confirmed that this principle was correctly applied to trade mark law in **Esquire Electronics Ltd v Executive Video 1986 (2) SA 576 (A)**.

Trade mark owners are also protected, whether the mark is registered or not, under the common law delict protecting against unlawful competition, and specifically against the wrong of passing off. The delict of unlawful competition compensates one person for the patrimonial damages he has suffered through another person's wrongful act, and where such damage is attributable to that other person's fault. Passing off occurs where one person represents to the public, through use of another's trade mark or otherwise, that his goods or business are those of another, or are somehow connected to another. In **Omega, Louis Brandt et Frère SA v African Textile Distributors 1982 1 SA 951 (T)**, the courts held that where one merely supplies what is often referred to as an 'instrument of deception' in order to enable others through the use of that instrument to pass off their goods as being those of a third party, he can be found liable for contributory passing off – even though he does not personally deceive the end user.

COPYRIGHT

The Copyright Act 98 of 1978 protects rights in the nature of copyright. The Copyright Act protects a number of categories of works – provided that they meet certain conditions, and lists the various restricted acts for each category that only the copyright owner or persons authorised by him may carry out.

In terms of section 23(1) of the Act, any person who, without the authority of the copyright owner, does or causes *any other* person to do a restricted act, commits a direct act of infringement of copyright. It is clear from this section that any person who instigates or instructs another person to commit a direct act of copyright infringement, also infringes copyright. It is not necessary for such person to have knowledge of the fact that his actions amount to an infringing act.

Whilst copyright is specifically protected by statute, it is also afforded some protection by civil delictual laws and criminal law – to the extent that the relevant general principles of these laws do not conflict with the Copyright Act. The general principle that anyone who instigates, aids, or advises the perpetration of a delictual wrong was applied in the field of copyright law in **Haupt t/a Softcopy v Brewers Marketing Intelligence (Pty) Ltd & Others 118/05 SCA (unreported)**. Here one of the respondents assisted and co-operated with the others in infringing the appellant's copyright in a computer program by providing a portion of the source code to them.

Under the common law, the concept of aiding and abetting only applies to delicts committed where the perpetrator can be shown to know, or have reason to believe, that the act that he is

aiding and abetting is a delictual wrong. So, under the Copyright Act, where a person causes another to infringe copyright, he too infringes that copyright whether he has knowledge of the illegality of his activities or not. On the other hand, under the common law, where a person offers or supplies the means for copyright infringement, but his act amounts to something less than instigation or instruction (i.e. causing another to infringe), then he will only be found to have infringed copyright if he knew, or had reason to believe, that his actions amounted to an infringement of copyright.

CONTRIBUTORY INFRINGEMENT THROUGH THE INTERNET

The Electronic Communications and Transmissions Act limits the liability of internet service providers for any contributory infringement where the ISP is a member of a recognised representative body, and has adopted and implemented the body's code of conduct. Under this Act, a qualifying ISP will not be liable where it is a mere conduit, for caching, for hosting, or for providing information locations tools where he meets certain requirements for each particular activity. So for example, if a qualifying ISP hosts a website that contains copyright infringing material, it shall not be liable for damages arising on the basis of contributory copyright infringement, provided that the ISP has no actual knowledge of the infringing nature of the website, is not aware of facts or circumstances from which the infringing activity is apparent, and upon receipt of a take-down notification from the copyright owner, acts expeditiously to remove or disable access to the website.

- 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?*

PATENTS, DESIGNS, COPYRIGHT AND TRADE MARKS

In the absence of any direct guidance in South African law, it is more than likely that due to principles of territoriality, acts of contributory infringement must be in respect of a local infringement of a South African registered or otherwise protected Patent, Design, Copyright and/or Trademark.

In the absence of any direct guidance in South African law, it is more than likely that the act of contributory infringement may only be held to have taken place if there has been direct infringement. However, in the absence of direct infringement and on the basis that there is a reasonable apprehension that direct infringement in South Africa may take place as a result of the Supplier's contributory infringement, injunctive relief may be likely.

Under the common law of delict, there will only be contributory infringement where the means supplied are actually used by the Supplied Party to commit the act of direct infringement in South Africa. However, in the absence of actual use, a reasonable apprehension that the means supplied may be used may suffice for injunctive relief.

Territoriality

The Patents Act, Designs Act and Trade Marks Act, all being silent on the issue of contributory infringement, do not obviously address this question.

There is also no case law concerning patents and/or designs that address the question.

It is more than likely however that for there to be contributory infringement it will be necessary to show a direct infringement of the IPR in South Africa. The rationale for this is based on the following reasoning:

In terms of the ordinary common law principles of delict under South African law, if one is to show that conduct attracts delictual liability, the following elements must be present, namely (i) an act or conduct; (ii) wrongfulness or unlawfulness, which is determined in a generalised approached based on the *boni mores* of society (as opposed to a pigeon hole approach of

separate and recognised forms of tort); (iii) fault, which includes the element of intent or an awareness of wrongfulness; (iv) harm and (v) causation.

As set out in the judgement of **Grande Paroisse** *supra* before one can consider the question of fault and the awareness of unlawfulness, the conduct itself must amount to a wrongful or unlawful act. In the context of a patent and/or a design whether the act is wrongful or not will depend on ascertaining whether there is an inducement to infringe a patent and/or design and this will naturally entail a consideration of whether there is an infringement of the patent and/or design.

In the case of patents, there is a specialised court, namely the Court of the Commissioner of Patents that must be the court of first instance in respect of all matters falling within the ambit of the Patents Act. The Patents Act is naturally concerned with the filing, granting, enforcing and revocation of patents, patents being defined and restricted territorially to South African patent applications and patents. As a result, it is unlikely that the Court of the Commissioner of Patents would consider and decide upon the direct infringement of an invention patented in a foreign jurisdiction.

Insofar as design registrations are concerned, although there is no specialised court, the question of design infringement would have to be determined with reference to the South African Designs Act and with reference to a registered design in South Africa. Again, it is unlikely that a court would pronounce upon the direct infringement of a foreign registered design.

Trade Marks infringement matters and passing off proceedings are brought before the civil High Court, and rely on the registration or repute of the mark in South Africa. The courts are not likely to pronounce upon the direct infringement of a trade mark that is registered, well known or has a repute outside of its jurisdiction.

The Copyright Act only applies within South African borders so that courts will only decide copyright infringement matters that are similarly within South Africa.

Acts of contributory infringement

Question 2 is also understood to address the issue of whether it is necessary for the Supplied Party to use the means supplied by the Supplier to infringe the IPR for there to be contributory infringement (i.e. to complete direct infringement) or whether contributory infringement may be found to exist where the Supplier aids the infringement of an IPR absent an actual infringement by the Supplied Party (see circumstances set out in Question 3 below).

Importantly, in considering this question one must make the distinction between the commission of a delict and the remedies that are available to the holder of the IPR, in considering whether the holder of the IPR suffers harm.

The above issues have not directly been addressed by our courts however it is likely that it will be necessary for the Supplied Party to complete direct infringement for one to succeed in proving that a delict has taken place. The rationale for this is based on the requirements for delictual liability in respect of contributory infringement. Notwithstanding that there may be an intention to do harm by the Supplier through the inducement of the Supplied Party, if there is no direct infringement, there is no harm and therefore there can be no delict.

On the other hand, the existence of harm is not a pre-requisite for an interdict (injunction), the availability of which is discussed hereunder, and it is possible for the Patentee or the proprietor of a registered trade mark or design to obtain injunctive relief based on a reasonable apprehension of harm.

In short therefore, it is not necessary for there to be a direct infringement of an IPR by the Supplied Party for an IPR holder to obtain some form of relief. It is however necessary for the Supplied Party to complete direct infringement for one to find that a delict has been committed by the Supplier.

With respect to statutory contributory copyright infringement, it is clear from the Copyright Act itself, which stipulates that any unauthorised person who causes any other person to do a *restricted act* commits a direct act of infringement of copyright, that the Supplied Party must actually commit a restricted act for there to be an act of direct contributory copyright infringement. It will however be possible for a copyright owner to obtain injunctive relief where there is a reasonable apprehension that a restricted act will be committed.

Actual use of the means supplied

Question 2 is also understood to address the issue of whether it is necessary for the Supplied Party to actually use the supplied means, obtained by the Supplier, for contributory infringement to be held to exist. Put another way, the question addresses the issue of whether the mere offering or provision of means to use IPR is sufficient for a finding of contributory infringement even though no one intends to or actually uses the means supplied.

From a consideration of the requirements for contributory infringement under the laws of delict, and in the absence of case law on this point, it is more than likely that our courts will find that absent actual use of the supplied means, and in the event of direct infringement by the supplied party, there is no causal nexus between the conduct of the Supplier and the Supplied Party to justify a finding of harm. Absent actual use and absent direct infringement, our courts are likely to find that the holder of the IPR does not sustain harm.

Again, the Copyright Act is fairly clear that the means supplied must actually cause the Supplied Party to infringe the copyright in question.

- 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.

PATENTS, DESIGNS, COPYRIGHT, TRADE MARKS

It is a condition for liability for contributory infringement that the means supplied are actually used by the Supplied Party for committing acts that amount to direct infringement in the same country.

This question is accordingly answered on the basis of injunctive relief for contributory infringement in the absence of direct infringement. It is more than likely that whether or not an act will constitute contributory infringement will depend on an analysis, based on reasonableness having regard to the legal convictions of the community, of whether the act is sufficiently linked to the direct infringement or apprehension of direct infringement from a causality point of view.

Subject to what has been said in question 2 above, the issue will revolve around the question of intention / awareness of wrongfulness. Accordingly it is unlikely that the first two instances and the last instance above would be considered sufficient for purposes of obtaining relief, such as injunctive relief.

The following statement, made in **Grande Paroisse** *supra*, should be noted:

"... one cannot make out the proposition that any person willing to sell any article or material which could in any way be used in the making of a patented article can be sued as an infringer, because he or she knows that the purchaser intends to make use of it for that purpose.

... a finding of wrongfulness or otherwise of conduct has to be made by the court in every specific case, objectively, and in view of the *boni mores* or legal convictions of the community, using reasonableness as a yardstick. Thus delictual liability will necessarily be limited."

Accordingly whether or not the above conditions would suffice for purposes of obtaining injunctive relief will depend on a reasonable analysis of causality.

- 4) *Are the rules concerning contributory infringement set out in the laws protecting IPR?*
As set out more fully above, and apart from copyright law which specifically governs causal contributory copyright infringement, no.
- 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?*
As set out above, yes.
- 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?*

PATENTS, DESIGNS, TRADE MARKS, COPYRIGHT

In the absence of any direct authority on the matter, it is more than likely that our courts may grant injunctive relief in respect of contributory infringement. In the absence of any harm suffered, especially in the circumstance where there is no direct infringement, it is unlikely that damages would be awarded to the rights holder of an IPR.

There is no direct authority on the question whether an interdict can be obtained to restrain 'contributory infringement' of a patent and/or a design registration. It was stated in **Grande Paroisse** *supra* however that "... there is also no authority for restricting liability on the so-called 'contributory' basis to situations based on the common law and to exclude delicts created by statute from the ambit of such liability".

It is more than likely that injunctive relief (either in final form or as an interim measure) would be granted by the South African courts for contributory infringement. As will appear from the above, it is not necessary for there to have been actual harm suffered and that a reasonable apprehension of harm may suffice.

Insofar as damages are concerned, in the absence of actual harm suffered by the IPR holder, it is highly unlikely that any damages would be awarded, it being necessary for the IPR holder to show harm and prove that damages were indeed suffered.

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, it is the feeling of the South African group that such measures would be useful in order more specifically to define the acts of contributory infringement and provide certainty in respect thereof.

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

The requirements for contributory infringement should be those set out herein with respect to the delict of contributory infringement subject to the modification that the IPR holder must show harm or a reasonable apprehension of harm.

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

No.

- 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?*

The South African group feels that injunctive relief for contributory infringement should be to the same extent as that which is available for 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 South African group feels that the question of damages should be left to the discretion of the court having regard to the conduct of the supplier and the nature of supplier's inducement.

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

No.

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

No.

Summary

Contributory patent, design or trade mark infringement, as well as contributory passing off, may be a ground upon which to take legal action in terms of the South African common law of delict (tort). Certain acts of contributory copyright infringement are specifically prohibited by statute. It is more than likely that due to principles of territoriality, acts of contributory infringement must be in respect of a local infringement of a South African registered or otherwise protected Patent, Design, Copyright and/or Trademark. As more fully discussed it is a condition for liability for contributory infringement that the means supplied are actually used by the Supplied Party for committing acts that amount to direct infringement in the same country.

In the absence of any direct guidance in South African law, it is likely that the act of contributory infringement may only be held to have taken place if there has been direct infringement. However,

in the absence of direct infringement and on the basis that there is a reasonable apprehension that direct infringement may take place as a result of the Supplier's contributory infringement, injunctive relief may be successfully obtained.