

Report Q204

in the name of the Dutch 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.?*

Patents

With respect to patents, Dutch law provides for liability for contributory infringement of patents in article 73 of the Dutch Patent Act ("DPA"). This provision reads as follows (unofficial translation):

- "1) The proprietor of the patent may institute the claims that are at his disposal in enforcing his patent against any person, who in The Netherlands or The Netherlands Antilles in or for his business offers or delivers means relating to an essential part of the invention to others than those who by virtue of articles 55 to 60 are empowered to apply the patented invention for applying the patented invention in The Netherlands or The Netherlands Antilles, provided that this person knows or that it is evident considering the circumstances that those means are suitable and in-tended for that application.*
- 2) Paragraph 1 shall not apply if the offer or delivery takes place with the consent of the proprietor of the patent. Nor shall that paragraph apply if the means delivered or offered are products which are generally available in commerce, unless the person involved induces the third party to whom he delivers to perform acts specified in article 53(1)."*

Other IPRs

Unlike Article 73 DPA, the other IP Acts in the Netherlands/Benelux do not contain any provision with respect to contributory infringement.

Patent law before December 1, 1987: The theory of contributory infringement has been codified in 1987 (in Article 44A (old) of the Patents Act 1910) which was based on Article 30 of the Community Patent Convention (1975) (which has never entered into force). However before 1987 the contributory infringement theory had been recognized by the Dutch Supreme Court in a limited form. In 1949, the Dutch Supreme Court held that if no direct patent infringement can be established, only under very specific circumstances it will be possible to get protection on the basis of civil tort law (now Article 6:162 Civil Code (CC)). In order to combat the offering or supply of essential means for working another's invention, the plaintiff had to show that the defendant *specifically knows* ("weet bepaaldelijk") that his customers do infringe the patent rights (18 February 1949, NJ 1949, 357, *State vs. Bonda I*). In practice, the result of this requirement was that plaintiffs who invoked the theory of

contributory infringement always lost their case (e.g. Supreme Court 1 December 1950, NJ 1951, 20, *State vs. Bonda II*: there was no ground to shift the onus of proof. As a result, the patentee lost since it did not succeed in showing that Bonda specifically knew that his customers would infringe the patent).

It could be argued that this unfair competition law theory also applies outside the scope of patent law to other fields of IPRs.

Trademark rights: Article 2.20(1) Benelux Treaty on Intellectual Property ("BTIP") explicitly provides that the exclusive rights of the trademark owner are "without prejudice to the possible application of ordinary civil law in matters of civil liability". However, since in the Benelux, the exclusive right of the trademark owner includes the right to oppose *any use* of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark (Cf. Article 5(5) First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks), there is, in practice, not much need for additional unfair competition protection. For example, the 's Hertogenbosch Court of Appeal held that the sale of mere Lacoste and crocodile labels constituted a (direct) trademark infringement even though they were not yet fixed to the clothing for which the marks had been registered (13 November 1990, BIE 1992 no. 4, *Lacoste vs. EDG*). The Court reasoned that it was sufficiently likely that the labels themselves were intended for the purpose of committing infringing acts. However, (lower) courts also have held that the *inducement* of trade mark infringement by a third party which does not itself commit any trademark infringing act, may commit a tort under the general tort clause of Article 6:162 Civil Code (CC) (e.g. Arnhem Court of Appeal, 5 June 1978, BIE 1979 no. 20, *Display for Biaïs*).

Copyrights: The exclusive rights of the copyright owner are defined in two flexible broad terms "making public" (Article 12 Copyright Act (CA) and "reproducing" (Article 13 CA). As a result there is less need for further (tort) protection on the basis of Article 6:162. However, The Dutch Supreme Court has held that *under circumstances* promoting copyright infringing acts may constitute a tort under Article 6:162 CC. In *De Vries vs. Buma* (8 March 1957, NJ 1957, 271) it was held that De Vries committed a tort in view of copyright infringements by performing artists who had committed copyright infringing acts in his wife's bar. The additional circumstances were that the state license to have the performances in this bar had been granted to him, that he attended all infringing performances in order to maintain the order, *that he had control over all personnel, including the performers*, that in the past he had been warned several times by Buma about copyright infringements in the past, and that under such circumstances he had to ask for a list of all music titles to be performed and verify via Buma (collecting rights society) whether it was necessary to pay a license fee. In rejecting the cassation, the Supreme Court explicitly stated that the Court of Appeal had not held that it was sufficient for such a tort theory that De Vries was *in a de facto position to prevent any copyright infringement*. In addition, (lower) courts have held that the offering or supply of means which enable the buyer to infringe another's copyright, constitutes a tort under Article 6:162 CC. The President of the Haarlem District Court held in an interim relief proceedings case (19 September 2003, BIE 2004 no. 92) that the sale of Certificates of Authenticity (COA) was unlawful against Microsoft since the only purpose of COA's is to distinguish legal from illegal Microsoft software. The purpose of selling COA's is to facilitate the trade in illegal copies of Microsoft software.

Design rights: Article 3.16(1) BTIP explicitly provides that the exclusive rights of the design right owner are "without prejudice to the possible application of ordinary civil law in matters of civil liability". However, it should be noted that until December 1, 2003 the Uniform Benelux Design Law provided that "acts which would only constitute infringement of a design may not be the subject of an action under the legislation against unfair competition."

In addition, it should be noted that it is possible to protect “parts” of a product intended to be assembled into a complex product (Article 3.1(4) BTIP). These circumstances may explain why we did not find any case law in which a court held that the offering or supply of means to make a product protected by a design right constitutes a tort under Article 6:162 CC.

Plant variety rights: Article 57(1) Plant Variety Act 2005 provides that the holder of the plant breeder’s right shall have the exclusive right to produce, reproduce or condition for propagating purposes, propagating material of the variety to commercialize it, to offer it for sale, to export it, import it, to stock it for any of these purposes “and to have any or all of these activities performed.” This broad exclusive right may explain why we did not find any case law in which a court had to apply a contributory infringement theory on the basis of Article 6:162 CC.

- 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

For contributory infringement of patents, article 73 DPA does not require that the person to whom the means were supplied actually uses these means for committing acts that amount to direct infringement of the patent.

Other IPRs

The rules in other IPRs are not yet fully crystallized. If one applies the State vs. Bonda I reasoning to other areas of law, actual infringement by the customer is a requirement. However, one could also reason that under the influence of Article 73 DPA it should be sufficient that the supplier knows, or that it is evident considering the circumstances, that the means he is supplying are suitable and intended for infringement of the IPR.

- 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

For contributory infringement of patents, the conditions for liability are set forth in article 73 DPA. These conditions are:

- that the means relate to “an essential part of the invention”;
- that the means offered and/or supplied “are suitable and intended for” application of the patented invention on the part of the person supplied;
- that the means are offered and/or supplied for “applying the patented invention in The Netherlands [or The Netherlands Antilles]”;
- that the supplier “knows or that it is evident considering the circumstances that those means are suitable and intended for” application of the patented invention in The Netherlands [or The Netherlands Antilles]; and
- that, to the extent the means are “products which are generally available in commerce” (“staple good products”), the supplier “induces the third party to whom he delivers to perform acts specified in article 53(1) [DPA]”, i.e. acts constituting direct infringement.

An additional condition for liability for contributory infringement provided by article 73 DPA is that the supplier offers and/or supplies the means “in The Netherlands [or The Netherlands Antilles] in or for his business”.

Recently, the Dutch Supreme Court has provided further guidance on the interpretation of the condition “an essential element of the invention” (31 October 2003, NJ 2006, 600, *Sara Lee/Integro*, also referred to as “Senseo” or “coffee-pads”). This case related to Sara Lee’s European patent for an “Assembly for use in a coffee machine, for preparing coffee”. This assembly essentially consisted of a container and a “pouch” (also: a “pad”). Integro sold the pads, which were intended for use in (inter alia) the Senseo coffee machine (which contains an assembly according to Sara Lee’s patent). The Court of Appeal decided that the sale of the Integro pads did not qualify as an act of contributory infringement. The Court of Appeal did not consider the pad to be an essential part of the invention. The Supreme Court upheld this decision. According to the Supreme Court the fact that an element [the pad] is necessary to apply the invention does not necessarily make it an essential element. The Supreme Court further said that when deciding whether or not an element is an essential element, the judge may¹ take into account whether or not the element concerned is an element which distinguishes the teaching of the patent over the prior art.

With respect to the condition that the means are offered and/or supplied for “applying the patented invention in The Netherlands or The Netherlands Antilles”, the District Court The Hague recently held that it has international jurisdiction to assess a claim on contributory infringement even if the actual application of the patented invention takes place in a foreign country provided there is patent protection in that country. See District Court The Hague 11 April 2007, Case number: 259706 / HA ZA 06-544 (*SBM/Bluewater*). The District Court referred to a “longa manu” infringement and apparently considered that this may qualify as an infringement.

Other IPRs

The rules with respect to other IPRs are not yet fully crystallized. In a case of supplying a room where performers infringe another’s *copyright*, the Supreme Court held that the relevant circumstances were that the supplier had *control over* the performers, that he been *warned several times* by about copyright infringements in the past and that he had not verified whether or not the performers had to pay a license fee (cf. *De Vries/Buma*). In the *Certificates of Authenticity* case, the relevant circumstance was that their *mere purpose* was to distinguish copyright infringing from non-infringing software.

¹ Or perhaps even must.

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

With the exception of patents, the rules concerning contributory infringement are not set out in the laws protecting IPR. See at question 1.

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?*

With respect to IPRs other than patents, the generally applicable principles of tort law allow for protection for contributory infringement under specific circumstances. See at questions 1-3.

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?*

Patents: Yes, pursuant to article 73 DPA (cited in (1)) the patent owner may institute the claims that are at his disposal also in the case of an indirect infringement. The Dutch Courts will typically limit an injunction to acts of indirect infringement (and not also direct infringement), if only indirect infringement has been proven by the patentee.

- *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?*

Dutch IPR laws and case law provide ample possibilities to obtain remedies in cases of direct infringement. Of these, the grant of damages and/or the surrender of profits are measures that are also provided for by statutory tort law. These provisions are enshrined in the Dutch Civil Code (artt. 6:162 and 6:104 CC). These provisions can be invoked in cases of contributory infringement as well as in cases of direct infringement of an IPR.

Most Dutch IPR laws (Benelux Treaty on Intellectual Property, Dutch Patent Act, Dutch Copyright Act) also provide for the possibility of ancillary orders such as disclosure of the identity of the supplier of the infringing goods, surrender and/or destruction thereof, accounting for sales, etc. In cases of contributory infringement these ancillary orders could be based on general principles of tort law. Rules derived from case law on contributory infringement of an IPR are discussed underneath for each different IPR.

Case law on the offering or supply of means suitable for committing an act that is a direct infringement of an IPR is scarce. Therefore it is impossible to draw up general rules as to the extent to which damages and other compensation can be obtained.

Generally, orders imposed in interim relief proceedings holding penalties for future contributory infringement contain the same penalty amount as the orders covering direct infringement.

With the implementation of article 14 of the European Directive 2004/48/EC on the enforcement of intellectual property rights ("the directive") in article 14 of the Dutch Procedural Code ("DPC"), there now is a statutory basis for obtaining all reasonable and proportionate legal costs and other expenses incurred by the IPR-proprietor, if he is successful in enforcing his rights in court.

The European Commission has provided an enumeration of the IPRs to which the directive is applicable. This enumeration is non-exhaustive. Consideration 13 of the recitals of the directive makes clear that it is necessary to define the scope of the directive as widely as possible. This consideration explicitly leaves open the possibility for member states of the European Union to extend the provisions of the directive to include acts involving unfair competition. Nevertheless, the Dutch legislator has opted to provide in article 1019 of the

DPC – which defines the scope of the rules of the implemented provisions of the directive - an exhaustive enumeration of the rights to which the directive is applicable. This enumeration does not mention acts involving unfair competition or tort law in general. Most recent judgments on cases of infringement of portrait rights make clear that a species of a wrongful act cannot fall under the scope of article 1019h DPC. Therefore it is likely that article 1019h DPC does not apply to cases of contributory infringement, if this is based on tort law in general rather than on a specific provision in an IPR-act.

Answers to the question for each different IPR

Patents

Article 73 ss. 1 of the DPA (see *supra*) explicitly requires that no distinction is made between the actions that can be instituted in case of contributory infringement and the actions that can be instituted in case of direct infringement of a patent. As a result, it is possible to obtain damages as well as surrender of profits made as a result of the infringement.

In practice, in cases of contributory infringement, the patent proprietor therefore can obtain damages and other compensation up to the same extent as in cases of direct infringement.

Trademarks

Article 2.20 ss. 1 BTIP stipulates that the possibility for the trademark holder to oppose (direct) trade mark infringement leaves open the possibility to apply general principles of tort law.

The Benelux Court of Justice has decided that the broad and unspecified term 'oppose' comprises all measures that the trademark owner according to applicable national law has to his disposal in enforcing his trademark rights (BCJ, 6 July 1979, NJ 1980, 344, BIE 1980,2 (Mecadox). In cases of contributory infringement (general principles of tort law) the trade mark proprietor therefore should be able to obtain damages and other compensation to the same extent as in cases of direct infringement. Article 14 of the Council Regulation (EC) 40/94 on the Community Trademark also allows for additional protection on the basis of national (tort) law. All published cases relate to interim relief proceedings.

It is not to be excluded that the amount of damages and other compensation awarded should be in proportion with the gravity and extent of the infringement.

Designs

Conditions for obtaining compensation for contributory infringement of design rights are not defined in case law. Article 3.16 BTIP provides for the possibility to institute claims based on the principles of general tort law. Article 96 of the Council Regulation (EC) 6/2002 on Community Designs allows for additional protection on the basis of national (tort) law. The application of these principles of tort law implies the possibility to obtain all compensatory measures as granted in cases of direct infringement (see *supra*).

Copyrights

The copyright owner in principle can obtain compensation up to the same extent as in cases of direct infringement, although case law does not rule out the possibility that damages (and other compensation) can only be obtained relative to the contributory infringer's contribution. The extent to which damages and other compensation can be obtained will depend on the specific contributory activities and the circumstances of the matter. Generally, the facilitation or offer to facilitate reproduction or disclosure of a copyrighted work will be sanctioned through an order to pay damages or to render profits. Case law exists in which it is decided that the contributory infringer was held to

pay all damages suffered by the copy-right owner as a result of the copyright infringement (Court of Appeal Amsterdam, 15 June 2006, LJN AX7579, Brein/Techno Design).

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?*

The Dutch group takes the view that, in order to provide sufficient protection to the owners of IPRs, measures against acts that qualify as contributory infringement should generally be available.

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

The Dutch group believes that the State vs. Bonda I reasoning could be a starting point for the conditions for holding an act to be a contributory infringement of an IPR. However, as set out above, the State vs. Bonda I requirements are too strict in that they require the IPR owner to prove that the alleged infringer specifically knows that his customer will infringe an IPR. Under influence of article 73 DPA it should be sufficient that the alleged infringer knows, or that it is evident considering the circumstances, that the means he supplies are suitable and intended for infringement of the IPR. The Dutch group further believes that it should not be a condition for contributory infringement that the means supplied are actually used by the person to whom they are supplied. In addition, the means supplied should be an essential, valuable or central element to the invention, product or service that constitutes the direct infringement. The Dutch group does not see any justification for a jurisdictional limitation, per se.

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

No, the Dutch group does not see any justification for this.

- 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 Dutch group is of the opinion that the IPR owner should be able to obtain injunctive relief to the same extent as in case of direct infringement. The Dutch group further is of the opinion that the extent to which the IPR owner is able to obtain damages and other compensation should in principle be relative to the contributory infringer's contribution. This may be different in cases where the contributory infringer plays an essential, leading role in the infringement. In such circumstances compensation to the same extent as in case of direct infringement may be justified.

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

No, the Dutch group does not see any justification for this.

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

The Dutch group considers it to be helpful if the requirements for contributory infringement for all IPRs are laid down in writing, either in a separate Treaty or as part of an existing Treaty.