Study Question

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Joint liability for IP infringement

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I. Current law and practice

Please answer all questions in Part I on the basis of your Group's current law.

1 **Are there any statutory provisions which specifically apply to Joint Liability?**

No

Please Explain

1) *Joint liability*

There are no statutory provisions that specifically apply to joint liability. However there is a statutory provision that prescribes that all members of a group can be held jointly liable for unlawful damage caused by a single member of that group if the chance of causing unlawful damage should have kept the group from their acts in group capacity (6:166 Dutch Civil Code (" **DCC**")).

Alternative causation: damage caused by one of multiple events

Furthermore, the DCC has a provision which deals with the situation that a party suffers damages which could have been caused by two or more events, for which different persons are liable (i.e. Article 6:99 DCC). If it is certain that the damages were caused by at least one of these events, then the injured party can hold each of these persons liable. It is then up to the person that is held liable by the injured party to prove that this party's damages were not caused by the event for which this person is liable.

Vicarious liability

Further still, four statutory types of vicarious liabilities are recognized: of parents for their minor children (art. 6:168 DCC), of employers for their employees (art. 6:170 DCC), of principals for their independent contractors (art. 6:171 DCC), and of principals for their commercial agents (art. 6:172 DCC).

General tort law as developed further in case law

Article 6:162 DCC provides that a person who commits an unlawful act against another person that can be attributed to him, must compensate the damage that this other person has suffered as a result thereof. Under certain circumstances, as developed in case law (see

under 2 below), an act relating to the IPR infringement of another can in itself be considered an unlawful act for which that person is liable. For example: when a person profits of or incites another person's infringement; when a person is a director of a legal entity which commits an infringing act; or when a person is an intermediary whose services are used for infringement.

There is no reason to assume the aforementioned articles (and the case law based thereon) cannot be relied on in the context of IPRs. This could result in a situation in which a party is held liable for specific damages that were not caused by its own infringing act.

2 **Under the case law or judicial or administrative practice in your jurisdiction, are there rules which specifically apply to Joint Liability?**

Yes

Please Explain

The general rules of tort law are applicable to acts which are outside the scope of direct infringement or Contributory Infringement. In principle, these general rules can also be applied to IPR infringement since this in itself is also considered an unlawful act.

Alternative causation: damage caused by one of multiple events

An example of application of Article 6:99 DCC (see under 1 above) is the case *DES-dochters* (Supreme Court 9 October 1992, ECLI:NL:HR:1992:ZC0706). In this case, a group of women who suffered from cancer caused by the use of a type of medicine by their mothers during their pregnancy, sued multiple pharmaceutical companies that produced the same type of medicine for damages. Due to the passage of time, the claimants were unable to identify from which specific company their mothers had taken the medicine and therefore which specific company was responsible for damages. The Supreme Court applied Article 6:99 DCC (see above) and ruled that all companies were jointly liable for damages if every company produced the same harmful medicine and if there would be no method of identifying which company was responsible for the illness of each specific individual. The Supreme Court accepted that in this case each injured daughter could suffice to file a claim against only one of the manufacturers of the product that might have caused the damages.

Interference

Profiting from another person's tort (or: infringing actions) may give rise to liability ('Joint Liability'). In general tort law the point of departure is that for such 'Joint liability' a knowledge of the fact that an act is in breach of a legal obligation to a third party or is infringing third party rights is not sufficient, and that additional circumstances are required (Supreme Court 26 January 2007, NJ 2007, 78). The knowing provocation or inducement to infringe, and / or the deliberate profiting from such a violation may amount to such additional circumstances, but a high threshold applies (Supreme Court 8 January 2010, NJ 2010, 187, and with respect to patent law: Supreme Court 18 February 1949, NJ 1949, 357 ('Bonda/Staat') and Hague Court of Appeal, 24 July 2012 (ECLI:NL:GHSGR:2012:BX6075 ('Pfizer/Uvit')).

Misuse of identity

Pursuant to case law concerning misuse of difference in identities, it is possible to disregard the legal distinction between two or more parties in case the legal distinction is used as an instrument to perform an unlawful act while escaping liability. A typical situation would be one in which a natural person has a controlling interest over one or several legal entities and uses these to put for example creditors at a disadvantage (see e.g. Supreme Court 27 February 2009, ECLI:NL:HR:2009:BG6445).

Director's liability

Director's liability may arise where a director (or, a de facto manager) in his role as director of a company under his control carries serious personal blame for the company's tort (Supreme Court 5 September 2014, ECLI:NL:HR:2014:2628, NJ 2015/21). In an IP setting, a director can be directly subject to injunctions (and liable) when infringement is perpetrated through his direction, or knowingly condoned by him, whilst he could have taken measures to prevent the infringements (Supreme Court 15 February 2002, ECLI:NL:HR:2002:AD6095, NJ 2002/464 ('*Jack Daniel's*'). A high threshold is held to apply for this type of liability, and it is sparsely established in case law.

Intermediaries

As is determined in art. 11 of the EU Enforcement directive (2004/48/EC), a person whose services are used by third-parties to infringe on IP rights can be subject to orders or injunctions to stop providing the services that are used to infringe (art. 2.22 Benelux Convention on Intellectual Property, art. 26d Dutch Copyright Act, art. 70 (9) Dutch Patent Act, and CJEU 7 July 2016, ECLI:EU:C:2016:528 (*Tommy Hilfiger Licensing*)). Injunctions ordering measures based on art. 26d Copyright Act must satisfy considerations of proportionality and subsidiarity. If necessary, these injunctions against intermediaries can be handed down in *ex parte* proceedings (Hague District Court 28 April 2015, ECLI:NL:RBDHA:2015:16168 (*Ecatel/FAPL*)).

Notwithstanding the above, online intermediaries are exempted from liability for damages ('safe harbors') for the mere transmission, caching or hosting of information provided by others under art. 6:194c DCC, which implements art. 12-14 of the E-commerce directive. This exemption extends to intermediaries hosting internet platforms (CJEU 12 February 2011, C-324/09 (eBay - L'Oreal, and Court of Appeal Leeuwarden 22 May 2012, ECLI:NL:GHLEE:2012:BW6296 (Stokke/Marktplaats).

Examples from patent cases

Furthermore, there are a few examples of Joint Liability in patent cases. It was held in summary proceedings that a Netherlands-based company acted unlawfully in view of its involvement in the infringement on the Portuguese part of a European patent by a Portugal-based company from the same group of companies (Pres. District Court Utrecht 15 August 2012, case KG ZA 12-319, Boehringer Ingelheim v. Teva Pharma). Also in summary proceedings, it was held that the Dutch State (i.e. the Dutch Medical Agency) was found to be liable for unlawful conduct because it had facilitated infringement of a patent of Warner-Lambert by not inserting a carve-out in the information for the generic version of the drug pregabaline (Pres. Hague District Court 15 January 2016, case C/09/498943 / KG ZA 15-1656 Warner Lambert v. Staat der Nederlanden). Also in summary proceedings, the Hague District Court held that *"Involvement with infringement can result in a tort. This is certainly the case when it relates to parties that are connected to the infringing party, which themselves do not infringe, but which facilitate the infringement"* (Pres. Hague District Court 30 March 2016, case C/09/500844 / KG ZA 15-1829, Novartis v. Teva).

3 **In the following hypotheticals, would party A be liable for Joint Infringement with party X? In each case, please explain why or why not.**

3.a **X sells handbags in a shop which is a small stall located in a shopping mall owned by A. The handbags infringe the registered design of Z. A knows that X (and other tenants) sells infringing goods.**

Yes

Please Explain

Party A is potentially Jointly Liable as an intermediary (see under 1 above and ECLI:EU:C:2016:528 (Hilfiger / Delta Centre). This exposes A to injunctions, fortified with penalty clauses. This is, provided that party Z can show that such injunctions are equitable and proportionate. In this hypothetical it is not likely that A is directly or Jointly liable for tort, considering that a general knowledge of some infringing sales does not f.i. suffice to establish the tort of interference, or give rise to a specific duty of care to Z, requiring action by A..

3.b **X sells handbags in an online shop which is hosted by a large market place platform owned by A. The handbags infringe the registered design of Z. A knows that X (and other web shop operators hosted by A's market place platform) sells infringing goods via their respective outline shops.**

Yes

Please Explain

We refer to the answer above. In addition, in this hypothetical X may benefit from the liability exemption for online hosting providers

3.c **X sells handbags in an online shop. The handbags infringe the registered design of Z. A designed the online advertising campaign for X's shop and books online advertising resources for X on websites and in in search engines. A knows that X sells infringing goods.**

No

Please Explain

We deem that A would not be considered to be an intermediary and therefore an injunction is less likely. It could be argued that A commits a tort.

3.d **For each of the hypotheticals in (a) to (c) above, does it make a difference if A merely suspects that X sells infringing goods? If yes, what is the level of "suspicion" required, and how is it demonstrated?**

3.d. **Hypothetical A**

No

Please Explain

For an injunction, suspicion does not appear to be relevant, merely being an intermediary is sufficient for an injunction. For torts, suspicion is relevant although there is no clear doctrine regarding this aspect. It is noted that the "mere conduit" liability exemption is only applicable insofar as the online intermediary is not informed of an infringement. We do not believe this *a contrario* directly leads to liability when the intermediary becomes aware of the infringing character.

.d.i **Hypothetical B**

.d.i **Hypothetical C**

4 **In the following hypothetical, would party A be liable for Joint Infringement with party X? In your answer, please explain why or why not?**

4.a **Z owns a patent claiming a method for addressing memory space within a memory chip which is built into telecommunication device having further features (main processor, suitable software etc.). A manufactures memory chips. The chips are objectively suitable to be used for the claimed method. A's memory chips are distributed over multiple distribution levels to a plethora of device manufacturers. A has no knowledge of the actual end use of its memory chips.**

No

Please Explain

A cannot be held liable for joint infringement with party X. Under the specific circumstances, A cannot be held liable on the basis of contributory infringement, even if its chips are assumed to be essential means. The law requires that a contributory infringer has at least some level of knowledge on both the suitability and the destination of the essential means for the application of the invention. The alternative would be to hold A liable on the basis of the general provisions on tort. However, this requires that A's act of manufacturing/selling the chips has a sufficiently strong connection with the infringing act. Since it is assumed that A has no knowledge of the actual end use of its memory chips, it is not possible to hold A liable on the basis of the principles of Dutch tort law.

4.b **Further, under your Group's law, would it be considered obvious (in the sense of Q204P) that A's chips would be put to one or more infringing uses and if so, why?**

No

Please Explain

No, under our Group's law, it would not be considered obvious that A's chips would be put to one or more infringing uses. In general, however, this would depend on the specific circumstances of the case. If the demand in the market for A's chips would for example be far greater than can be explained by the size of the market for non-infringing uses, then it is likely that it would be considered obvious that A's

chips would be put to one or more infringing uses. For example, the Dutch Court of Appeal for patent cases has held that a manufacturer of a medicinal product which is suitable for both an infringing and a non-infringing application can be assumed to have knowledge of the use of the product for the infringing application in view of specific market conditions (e.g. very small market for the non-infringing use). See Hague Court of Appeal 27 January 2015, ECLI:NL:GHDHA:2015:1769 (Novartis v Sun).

5 **In the following hypotheticals, would party A be liable for Joint Infringement with party X? Please explain why or why not.**

5.a **Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, also located in your country. A and B know that their servers exchange encrypted messages according to the patented method.**

No

Please Explain

Z cannot rely on direct infringement or contributory infringement in view of the absence of a party who performs the entire method. The fact that A and X know that they jointly perform the method is insufficient to hold A and/or X liable for joint infringement.

However, this would change if the acts of A could be attributed to X (or vice versa). This may be the case in the presence of a legal and/or contractual relationship. For example, if A would be a subsidiary of X, then Z could argue that A's acts should be attributed to its parent company X. The same would apply if A performs part of the method on the basis of a contractual obligation towards X (or vice versa).

5.b **Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". A operates server "a" in your country, which exchanges encrypted messages with server "b" operated by X, located outside your country. A and B know that their servers exchange encrypted messages according to the patented method.**

No

Please Explain

For the same reasons as given under a), Z cannot rely on direct or contributory infringement. In fact, it is even harder in this hypothetical, since part of the method is performed outside of the Netherlands and for both direct and contributory infringement, there needs to be a party who performs the entire method in the Netherlands. Even if A and X have purposely chosen to apply the claimed method in this manner, they will most likely escape liability in view of the fact that a patent can only offer protection if the entire infringement is performed within the Netherlands (see for example Supreme Court 18 May 1979, ECLI:NL:PHR:1979:AC6578 in which case to companies from the same group of companies produced an infringing product, however, the final step of the production was performed outside of the Netherlands).

Z may be able to rely on the rules of general tort law, but Z would need to show that the acts of X outside of the Netherlands are considered to be infringing acts in the country where these acts are performed (whether Z would be successful would depend on the laws of that other country).

5.c **Z owns a patent claiming a method for exchanging (sending / receiving) encrypted messages between server "a" and server "b". X operates server "a" outside your country, which exchanges encrypted messages with server "b" operated by Y, located in another country outside your country. A, located in your country, is a software consultant advising X and Y how to use the patented method (but A does not supply any software).**

No

Please Explain

Also in this hypothetical, Z cannot rely on direct or contributory infringement. Also in this situation, Z may be able to rely on the rules of general tort law, but Z would need to show that the acts of X outside of the Netherlands are considered to be infringing acts in the country where these acts are performed (whether Z would be successful would depend on the laws of that other country).

6 **Are there any other scenarios which result in Joint Liability for IPR infringement under your Group's current law?**

Yes

Please Explain

See under questions 1 and 2 above.

7 **What remedies are available against a party found liable for Joint Infringement? In particular:**

7.a **Is an injunction available?**

Yes

Please Explain

Injunctions are available in all cases where a party is Jointly liable, provided there is a (continuing) likelihood of infringement by or through the involvement of that party.

7.b **Are damages or any other form of monetary compensation available?**

Yes

On what basis?

Liability for damages or monetary compensation can only be based on a tort (including direct or Contributory infringement) by that party, and not merely on a concept of Joint liability. In the above identified categories of Joint Liability, this excludes the mere intermediary who does not infringe himself. Specifically for online intermediaries which serve as access provider or store information on request, the remedy of damages is generally not available if the intermediary can invoke the safe harbour exemptions for storage or mere conduit. Notably, under Benelux law, penalties incurred when a court injunction is breached are directly due to the party who was granted the injunction

Further, the remedy of damages is generally available on the basis of a comparison between the actual situation and a hypothetical situation in which the Joint Infringement would not have been committed by the liable party

7.c **Are any of the available remedies different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?**

Yes

Please Explain

A first consideration is that the implementation of the EU Enforcement Directive (2004/48/EC) has introduced specific remedies in cases regarding IP infringement, whether direct or Contributory. These are: (i) orders for intermediary evidentiary descriptions and taking of samples, (ii) injunction orders in ex parte proceedings, (iii) orders for information on the origin and distribution networks against any commercially involved party, and (iv) the award of 'reasonable and proportionate' legal costs and other expenses, which exceed cost awards in cases not based on IP enforcement-grounds (art. 1019a et seq. DCCP). The group considers that - with the exception of the liable intermediary - these specific remedies may not directly available against Jointly Liable persons if only liable for 'simple' tort.

The second consideration regards the scope of liability which may differ from that of the direct / contributory infringer due to considerations of legal causality. E.g., a director will not be liable for infringing acts prior to acceding to his post. Therefore the availability of specific remedies may depend on all relevant facts of the specific case.

II. Policy considerations and proposals for improvements of your Group's current law

8 **Are there aspects of your Group's current law that could be improved?**

Yes

Please Explain

The Group considers that rules concerning Joint Liability are scattered among statutory provisions and case law (see under questions 1 and 2 above). From a legal certainty perspective, it would be preferable if such rules would be laid down in clear statute.

9 **Should acts outside the scope of direct infringement or Contributory Infringement give rise to Joint Liability for IPR infringement?**

Yes

Should that sound in availability of injunctive relieve and/or damages? Please explain why or why not.

The Group considers that in certain specific situations, acts outside the scope of direct infringement or Contributory Infringement should give rise to Joint Liability for IPR infringement, i.e. if multiple parties working together perform certain acts that would constitute infringement if done by a single company.

Aside from situations described under questions 1 and 2 above, the Group considers that Joint Liability for IPR infringement should only apply in exceptional cases, where it has been established beyond doubt that the parties that together are held responsible for Joint IPR infringement. Key indicators could be that the involved parties belong to the same group of companies or, if this is not the case, that these parties conspire to evade liability for direct IPR infringement and/or knew or should have known that their joint actions constitute IPR infringement.

10 **Should Joint Liability be excluded if one or more acts being necessary for establishing Joint Liability for IPR infringement are committed outside the domestic jurisdiction? Please explain why or why not.**

No

Please Explain

The Group considers that the mere fact that one or more acts being necessary for establishing Joint Liability for IPR infringement are

committed outside the domestic jurisdiction, should be insufficient for excluding Joint Liability.

11 **Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?**

No

Please Explain

III. Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III.

12 **Is a consolidated doctrine of Joint Liability for IPR infringement desirable?**

Yes

Please Explain

Yes. Nowadays, IPR infringement often has a cross-border character, on the one hand because holders of IPRs are often part of groups of companies that operate internationally, or even globally, and infringement encompasses various jurisdictions, and on the other hand because parties (allegedly) involved in Joint IPR infringement may be situated in different jurisdictions, with differing legislation. This often results in complex IPR infringement situations, which are costly to handle for the holders of the respective IPRs.

Legal certainty on Joint IPR infringement and clarity on the availability of appropriate legal remedies is a key requirement for making a proper business and risk analysis.

A consolidated doctrine of Joint Liability is seen as a solution that may be realized on a relatively short term to improve legal certainty and predictability in Joint Liability IPR situations, and could in applicable cases reduce legal spend.

13 **Is harmonisation of the laws of Joint Liability for IPR infringement desirable?**

Yes

Please Explain

Yes, see under 12). This Group considers that national and/or regional legislation for most types of IP rights, such as patents, address infringement on a local level. Without harmonisation, those (allegedly) involved in Joint IPR infringement can align their actions in different jurisdictions with differing legislation, to avoid Direct or Indirect IPR infringement. This lack of harmonisation creates legal difficulties for right holders trying to (efficiently) enforce their IPRs.

It is anticipated that harmonizing laws would be a difficult and time-consuming process, and hence is perceived as a more long-term approach compared to a consolidated doctrine on IPR infringement. Among the participating industry professionals, there is a slight preference for the consolidated doctrine approach.

If YES, please respond to the following questions without regard to your Group's current law.

Even if NO, please address the following questions to the extent your Group considers your Group's current law could be improved.

14 **Please propose a suitable framework for Joint Liability for IPR infringement, focussing on the hypotheticals set out in Questions 3 to 5 above:**

14.a **The acts in question are limited to activities such as renting retail space, hosting websites, advertising etc. (as further described in Question 3 (a) to (d) above)**

a) In order to realize appropriate legal certainty, strict conditions or a clear test should be applied in order for a person or party to be held liable for IPR infringement when no direct IPR infringement nor Contributory infringement is applicable. However, at this moment a clear legal concept for Joint Liability in IPR Infringement does not exist in the Netherlands.

It seems unfair that multiple parties working together would be allowed certain acts that would constitute infringement if done by a single company in a single country.

In this Group's opinion, Joint Liability for IPR infringement should only apply in cases, where it has been established that the parties that together are held responsible for Joint IPR infringement. Key indicators could be that the involved parties belong to the same group of companies or, if this is not the case, that these parties conspire to evade liability for direct IPR infringement. It should not be sufficient for joint liability that they could or should have known that their actions, if performed by a single party, constitute IPR infringement. In the opinion of the Dutch Group, it is necessary that it is shown that there is some form of coordination between the parties that act jointly.

When this strict requirement is applied to the hypotheticals set out in Questions 3 to 5, Joint IPR infringement cannot be found solely on the basis of the information provided.

14.b **The means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR, but at the time of offering or supply, the suitability and intended use were not known to the supplier or obvious under the circumstances (as further described in Question 4 above)**

14.c **The infringing acts are divided between two parties, and the acts of each party do not qualify as direct infringement or Contributory Infringement, as further described in Question 5 (a) to (c) above.**

15 **Are there any other scenarios which should result in Joint Liability for IPR infringement, and where harmonisation is desirable?**

Yes

Please Explain

This Group would like to add the following common scenarios, derived from a number of Industries.

In chemical technology so-called 'tolling' is quite common. In this process, a starting material is sold to a company for performing a certain process step, and then the resulting product is bought back from the tolling company. A realistic scenario could be that different process steps of a patented process are done by different independent companies that could be located in different countries that may or may not have an equivalent patent in force. In such a case, the separate steps may not infringe, but the chain of involved companies as a whole could infringe.

16 **What remedies should be available against a party found liable for Joint Infringement? In particular:**

16.a **Should an injunction be available?**

Yes

Please Explain

In case the strict requirements as indicated under 14) c) are met and Joint Liability for IPR infringement can be established, the same remedies that are available against direct IPR infringement should be available. In other words, this Joint IPR infringement is to be handled in the same way as direct IPR infringement or Contributory Infringement. This Group considers that it should be possible to obtain an injunction against any party involved in Joint IPR infringement and the general principles of monetary relief under national and/or regional tort law should apply to the question whether such parties are liable for damages.

16.b **Should damages or any other form of monetary compensation be available?**

16.c **Should any available remedies be different in scope to the remedies available against any acts of direct infringement or Contributory Infringement?**

17 **Please comment on any additional issues concerning any aspect of Joint Liability you consider relevant to this Study Question, having regard to the scope of this Study Question as set out in paragraphs 7 to 13 above.**

None

18 **Please indicate which industry sector views are included in your Group's answers to Part III.**

Industry members in this Group come from the following industry sectors: Food industry (Alcoholic beverages, Oils & fats), Healthcare and Consumer Goods.