

# Summary Report

## Question Q204P

### **Liability for contributory infringement of IPRs – certain aspects of patent infringement**

#### **Introduction**

At its Congress in 2008 in Boston, AIPPI passed Resolution Q204 Liability for contributory infringement of Intellectual Property Rights (*IPRs*). For the purpose of that Resolution, the term 'contributory infringement'

- was defined so as to comprise only the form of indirect infringement consisting of the offering or supply of means suitable for committing an act that is a direct infringement of an IPR; and
- did not include other acts known as indirect infringements, such as inducement or the provision of other assistance than the offering or supply of means for committing a direct infringement.

Resolution Q204 was the result of a study concerning the law on contributory infringement of IPRs generally. However, the study showed that in many countries, the law in relation to contributory infringement of IPRs differs in respect of different IPRs. The study also showed that for most countries, the area in which the law was most developed was in relation to patents. However, even in relation to patents, the contributions from the groups did not enable AIPPI to pass a Resolution going into the detail of the many potential issues that may arise in relation to contributory infringement. The Resolution took positions in broad terms on general issues relating to contributory infringement of IPRs.

Resolution Q204 recommended that all jurisdictions adopt rules in their IP law concerning contributory infringement of IPRs and that the basic principles be harmonised. Paragraph 3) of Resolution Q204 resolved that the basic principles for contributory infringement should include that:

- the means supplied or offered by the contributory infringer related to a substantial element of the subject matter of the protected IPR;
- the means supplied or offered by the contributory infringer are for an infringing use;
- at the time of offering or supply, the suitability and intended use were known to the supplier or obvious under the circumstances.

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Resolution Q204 also recommended that AIPPI continue the study of contributory infringement of IPRs, including but not limited to the conditions which must be met for an act to qualify as a contributory infringement and the relief available to the IPR owner in the case of a contributory infringement. Resolution Q204 specifically recommended that AIPPI should investigate if it should be a condition for contributory infringement that the act of contributory infringement and the intended infringing use should take place in the same jurisdiction.

The purpose of this Working Question is to explore certain issues regarding contributory patent infringement only, and to focus in particular on the recommendations made in Resolution Q204 in the context of contributory patent infringement. 'Contributory patent infringement' as referred to in this report is defined in the same sense (referable to patents) as 'contributory infringement' is defined in Resolution Q204P.

A total of 36 reports were received by the Reporter General. Reports were received from the National Groups of Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, the Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Indonesia, Israel, Italy, Japan, the Netherlands, New Zealand, Panama, Paraguay, Peru, The Philippines, Poland, Portugal, Romania, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom (**UK**) and the United States (**US**).

As might be expected from the responses to Question 204, the reports received in relation to this Question 204P still show a variety of differences in national law as to the conditions for qualifying as a contributory infringement, available relief and the issues of territoriality and applicable law.

A number of groups reported that there is no defined or developed concept of contributory infringement in their jurisdiction. China is one such example, so rather than attempting to answer the questions set out in the Working Question, the Chinese group provided a helpful overview of contributory patent infringement (as it is defined in Resolution Q204) to illustrate the different outcomes that have occurred in the Chinese civil law system, in the absence of any obligation to be bound by judicial precedent.

The Canadian group notes that Canadian law does not recognize 'contributory infringement' as defined in the Boston Resolution, as that resolution excluded indirect infringement such as by inducement of others to commit direct infringement. Canadian case law does, however, provide for liability under the doctrine of inducing and procuring infringement, but there must be something more than simply offering or supplying the means to infringe. The Canadian group's answers are in that context.

At the end of this Summary Report, an attempt has been made to draw some main conclusions and recommendations to the Working Committee.

## **I) Analysis of current legislation and case law**

1. a) *Is it a separate condition for the supply or offering of means to qualify as contributory patent infringement that the means supplied or offered were suitable to be put to a use that would infringe the patent?*

This is a condition in Argentina, Australia, Austria, Belgium, Brazil (criminal liability only), Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Israel, Italy,

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Japan, Netherlands, New Zealand, Philippines, Poland, Portugal, South Africa, Spain, Sweden, Switzerland, Turkey, the UK and the US. This question is expressed in jurisdiction neutral terms. Accordingly, while some of the groups express this requirement in terms of 'suitability to be put to an infringing use', and some express the requirement in terms of suitability for 'putting the invention into effect' (eg Belgium, UK), these responses are taken as reflecting the same position.

It is further noted that some groups approached this question as if it were in two parts, ie first, whether there is a requirement of suitability in their law, and secondly, whether such requirement is a 'separate' requirement. As such, where, the requirement of suitability exists, but more is required (eg 'suitable and intended'), some groups answered this question in the negative. Accordingly, if a group answered the question on the basis that the requirement was separate but nonetheless existed in their domestic law, such answer is taken as being part of the majority of groups that do have, as a condition for the supply or offering of means to qualify as contributory patent infringement, that the means supplied or offered were suitable to be put to a use that would infringe the patent.

It is not a separate condition that the means supplied or offered were suitable to be put to a use that would infringe the patent in Brazil (civil liability), Bulgaria, Canada, Egypt, Indonesia, Panama, Paraguay, Peru and Romania. A number of those jurisdictions do not have a defined or developed concept of contributory infringement.

*b) If yes, to a), is it relevant that the means are also suitable to be put to other uses not related to the invention?*

This is a relevant factor in Argentina, Australia, Austria, Denmark, Egypt, Finland, Germany, Israel, Italy, New Zealand, Philippines, Poland, South Africa, Spain, Sweden, the UK and the US.

Of those group reports which answered this question in the affirmative, the means being suitable (or not, as the case may be) may be relevant to the intention element, where such element is a requirement beyond mere suitability.

2. *a) Is it a condition for the supply or offering of means to qualify as contributory patent infringement that the person supplied intended, at the time of supply or offering, to put the means to an infringing use?*

This is a condition in Austria, Bulgaria (products only), France, Germany, Greece, Hungary, Indonesia, New Zealand, Portugal, Spain, Sweden, Turkey and the UK. This may be by implication, rather than being an explicit condition. For example, the UK group points out that, while the means supplied must be intended to be put to an infringing use, there is no clarification of whose intention is the relevant intention, although the UK group considers it should be at least the intent of the person supplied.

Conversely, the Swedish group reports that it is the supplier who must know (or it must be obvious from the circumstances) that the means are 'intended for use in carrying out the invention'. The Swedish group notes that this arguably encompasses the concept that the person supplied must have intended to use the means in carrying out the invention and that intention must have been clear to the supplier at the time of supply or offering.

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This highlights an issue in the way a number of the groups have answered this question. In those jurisdictions where it is a requirement that the person supplying or offering to supply knows (or it is obvious) that the means are suitable *and intended* for an infringing use, some groups have answered this question focusing on the intention of the supplier, notwithstanding that the intention of the supplied person is also relevant. See for example Belgium, Denmark, Egypt, Finland, Israel and the Netherlands.

In the US, it is clearly the intention of the supplier, not the supplied person, that is relevant.

In Japan, the answer depends on whether the means are 'exclusive means' in that they cannot be used for any purpose other than the working of the patent. If the means are 'exclusive means', the person supplied is deemed to have intended, of the time of supply or offering, to put the means to an infringing use. If not 'exclusive means', but the supplier has the requisite intention, it then follows that the supplied person is considered to have the intention of using the means to work the patent when accepting supply.

In Canada and the Philippines, it appears to be the case that the intention of the person supplied is irrelevant, because the focus is on 'inducement' to infringe, which considers the actions or intention of the supplier.

In Australia, there is no or no specific requirement that the person supplied intended or would put the means to an infringing use.

*b) If yes to a), is the element of intention a separate condition to any condition of suitability for an infringing use?*

Given that this question was premised on an affirmative answer to a) above, it is not surprising that there were few substantive answers to this question. Of those that answered in the affirmative to a), Austria, Germany, Greece, Israel, New Zealand, Portugal, Spain, Sweden and the UK answered 'yes' to this question, ie that the element of intention is a separate condition to any condition of suitability for an infringing use.

A number of other groups noted that intention is a separate condition, eg Panama, Poland and the US. In Hungary and Turkey, the element of intention is not a separate condition to any condition of suitability.

*c) If yes to a), is it a condition for the supply or offering of means to qualify as contributory patent infringement that the supplier was aware, at the time of supply or offering, that the person supplied intended to put the means to an actually infringing use?*

Again, by reason of answering in the negative to a) above, a number of groups did not address this question.

Of those groups that answered in the affirmative to a) above, in Denmark, Egypt, Greece, Hungary, New Zealand, Portugal, Spain, Turkey and the UK, it is a condition that the supplier was aware, at the time of supply or offering, that the person supplied intended to put the means to an actually infringing use. In a number of jurisdictions, including Austria, Germany, Israel and Switzerland, the fact that it would be obvious to a reasonable person in the circumstances that the means are suitable for or intended to be put to an actually infringing use will be sufficient.

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In the US, the supplier must have knowledge that it is providing a product especially made or adapted for use in infringement of a patent, and must know of the patent and that its customers have no right to practice the patent.

3. *If it is a condition for the supply or offering of means to qualify as contributory patent infringement that the means relate to an essential, valuable or central element in the invention or that the means relate to an essential, valuable or central element in the product or service that constitutes direct infringement, what is the test for determining whether an element is essential, valuable or central?*

In Argentina, Australia, Brazil, Bulgaria, Canada, Egypt Indonesia, Paraguay, Philippines, Poland, Romania, South Africa and Switzerland, this is not a condition for the supply or offering of means to qualify as contributory patent infringement, or at least a condition stated in these terms. A number of these groups go on to explain the approach taken under their national law. For example, in Australia, while there is scarce case law in this area, it is assumed that the ordinary principles of claims construction will apply. Accordingly, for there to be infringement, all essential features of the claim must be taken. The presumption is that the means supplied would constitute at least one of those essential features. Canadian law requires that the supplier not simply supply the means, but also induce direct infringement by the person supplied. In Egypt, to establish civil liability there must be a causal connection between the wrongdoing and damage, so the means must have some weight in order to evidence that the supply caused damage.

In Austria, Belgium, Denmark, Finland, France, Germany, Peru, Spain, Sweden Turkey and the UK, the supplied means must explicitly relate to an 'essential element' of the invention. A number of these group reports state that there is no or very little guidance from case law as to the test for determining whether an element is 'essential'. Such tests as have been developed under national case law are reported as follows.

- Belgium – means that are functional in realising or helping to realise the protected inventive concept.
- Finland – the patent claims interpreted in light of the description are to be regarded as the starting point in assessing whether the supplied means relates to an essential element of invention.
- Germany – means that are suited to functionally cooperate with one or more features of the patent claim to realise the protected inventive idea. A feature of the invention is essential if it is part of the patent claim. A feature may not be essential if it does not contribute anything to the results of the invention.
- The Netherlands – the means should concern an element of that with which, according to the patent, the teaching of the patented invention distinguishes itself from the prior art. The fact that the elements are mentioned in the claim does not imply that they are essential.
- Spain – any element through which the invention is defined in the characterising part of one of its claims and which are therefore necessary for exploiting or practising the invention.

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- UK – case law seems to say that the means relating to the core essential element should not be a subordinate part of the claim, and must play some role in putting invention into effect.

From this, it may be possible to draw conclusions that determining whether an element is essential involves consideration as to whether the element is necessary for the application of the invention or putting it into effect, and the starting point for such consideration is the ordinary principles of claims construction.

A number of the groups did not cite any legislative requirement that the supply or offering of means must relate to an essential element to qualify as contributory patent infringement, but nonetheless their answers imply that this is the case, by giving some guidance as to how proof that an element is essential would be adduced, eg Greece, Hungary, New Zealand, Panama and Portugal.

In Japan and the US, the test is not articulated in the language of 'essential, valuable or central', but may nonetheless be analogous if such language reflects a requirement that the element is necessary for the application of the invention or putting it into effect. In Japan, the test is whether the means is 'indispensable for the resolution of the problem by the invention, which means a 'part, tool, material, etc without the use of which "the problem by the invention" cannot be resolved'. Such part, tool or material may not necessarily be the components of the invention. In the US, the component, material or apparatus must be 'a material part of the invention', provided it is not a staple article or commodity of commerce suitable for a substantial non infringing use and provided that the component, material or apparatus is found to be specially made or adapted for use in an infringement. In Israel, the test is also one of 'materiality'.

In South Africa, the patent infringement must be completed if there is to be a finding of contributory infringement, but assuming such completion, the nature of the element supplied will have an impact on an ultimate finding of wrongfulness. In Switzerland, the relevant question is whether the supplying of the means objectively favoured the direct infringement, and the fact that the supplied means constituted an essential, valuable or central element may indicate that, objectively, infringement had to be expected.

4. *To the extent the means supplied or offered are staple commercial products, is it an additional condition for the supply or offering of means to qualify as contributory patent infringement that the supplier provides any instruction, recommendation or other inducement to the person supplied to put the goods supplied or offered to an infringing use?*

This is not an additional condition in Argentina, Brazil, Bulgaria, Greece, Indonesia, Panama, Paraguay, Romania, South Africa or the US. In Greece and the US, if the means is a staple article or commodity of commerce, it cannot provide the basis for contributory patent infringement.

In a number of jurisdictions, the element of inducement is not linked to whether the means supplied or offered are staple commercial products – Canada, Czech Republic, Egypt, Indonesia, Israel, Philippines, Poland and South Africa.

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In Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, Japan, Netherlands, New Zealand, Peru, Portugal, Spain, Switzerland, Turkey and the UK, to the extent the means supplied are offered are staple commercial products, it is an additional condition for the supply or offering of means to qualify as contributory infringement that the supplier provides instruction, recommendation or other inducement to the person supplied to put the goods supplied or offered to an infringing use.

5. a) *Is injunctive relief available against acts of contributory infringement?*

Injunctive relief is generally available, although not in jurisdictions where there is no provision for contributory infringement in their respective laws, eg Panama, Paraguay.

The Indonesian, Portuguese, South African and Spanish groups reported that, in principle, injunctive relief should be available under general principles, although in Indonesia, Portugal and South Africa there is no direct authority on point. The Spanish group report noted that while there is nothing to prevent injunctive relief in the case of contributory infringement, the particular complexity of some cases of contributory infringement may obstruct the grant of injunctive relief by the courts.

A number of the group reports noted that injunctive relief is available on the same conditions as for direct infringement, for example, Argentina, Austria, Czech Republic, Denmark, Germany, Netherlands and Peru. In Japan, provisions exist which deem acts of contributory infringement as infringement of patent rights, thereby permitting the granting of injunctive relief.

b) *if yes to a), may injunctive relief be directed against the manufacture of the means per se or the supply of the means per se?*

A number of groups noted that there is no explicit legislation or case law in relation to this distinction, but offered views as to what they would expect their courts to do.

In Argentina, Brazil, Canada, Czech Republic, Egypt, Hungary, Japan, Philippines, Romania, South Africa, Spain, Turkey and the US, injunctive relief may generally be directed against the manufacture of the means per se or the supply of the means per se, although more *may* be required. For example, in Canada, if the means also have a non-infringing use, an injunction would not normally be granted in the absence of inducement. In Spain, there is a qualification that the means must be explicitly intended for practising the patented invention.

In a number of jurisdictions, it is *unlikely* that injunctive relief may be directed against the manufacture of the means per se or the supply of the means per se. This appears to be the case in Belgium, Bulgaria, Denmark, Finland, Greece, Italy, Netherlands, New Zealand, Portugal, Sweden, Switzerland and the UK. The Israeli and UK groups noted that injunctive relief in these terms may be too broad.

A number of group reports go on to note that more *would* be required. For example, in Belgium, injunctive relief may not be directed against the manufacture of the means per se unless there is evidence that there is a threat of offering or supply of the means in Belgium, whereas in the case of supply, there is an additional requirement for suitability and the intended use of the means for putting the invention into effect were even known to the supplier or obvious in the circumstances.

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In Australia, Denmark, France, Germany and Poland, injunctive relief may only be directed against the supply of the means per se. In Australia, Denmark and Germany, this is because manufacture of the means does not constitute contributory patent infringement. In Poland, on general principles, such relief may be available, but if the means had a substantial non infringing use, then the injunction would be over broad.

In Japan, if the said means are used exclusively for an act of contributory infringement, injunctive relief may be available against both production and supply of the means per se. If however, the means have other uses, an injunction is likely to be considered over broad.

In Peru, injunctive relief may be directed against the manufacture of the means per se.

*c) If no to b), must the injunction be limited to manufacture or supply of the means in circumstances which would amount to contributory infringement?*

A number of groups did not answer this question on the basis that their answers to a) and b) above, or otherwise simply reference those answers. While this question was premised upon an answer in the negative to b), a number of groups who answered yes to b) went on to answer this question. Thus, it is difficult to draw common themes from the answer to c).

It would appear that in Austria, Brazil, Denmark, Egypt, Finland, France, Germany, Greece, Italy, Netherlands, New Zealand, Peru, Poland, Portugal, Spain, Sweden and the UK, any available injunction<sup>1</sup> must be limited to circumstances which *would* amount to contributory infringement. The Finnish group reports that, while manufacture is not explicitly referenced as a prohibited act with regard to direct infringement, policy considerations such as the need to curtail infringement early may include manufacture as a pre-stage of supply and thus attracting injunctive relief. In the UK, the usual form of injunction which is now granted ('that the Defendant be restrained from infringing Patent No [...]') means that, as a practical matter, the injunction is limited to supply or offer to supply of the means and circumstances which would amount to contributory infringement under the UK Patents Act.

*d) If yes to c), how in practice should this limitation be included in injunction orders, for example:*

- i) may claims for injunctive relief be directed for example against the abstract or hypothetical situation that the means are supplied in circumstances where the supplier is aware that the person supplied intends to put the means to an infringing use, and/or*
- ii) must claims for injunctive relief be directed against particular shipments of means for which the supplied person's intent and the supplier's knowledge has been proven?*

A number of groups did not answer this question. Of those that did, a number focused on the examples given, rather than answering the question in broader terms. Not surprisingly, it is not always possible to say with certainty that one form of injunctive order would be favoured over another, as circumstances may vary. However, in general, courts in Australia, Brazil, Denmark, Egypt, Greece, Italy, Poland, Spain, Switzerland and the US would be unlikely to grant an injunctive order in the form of i) above. In Brazil, such an

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<sup>1</sup> Whether that be an injunction in relation to manufacture or supply or both.

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order would be *unlikely* unless the person supplied or detailed circumstances of the intent of the person supplied could be established. In Denmark, it would also have to be clear which circumstances should make the supplier know or which would make it obvious that the means are suitable and intended for working invention.

By contrast, an order in the form of i) above may be ordered in Canada, Finland, Netherlands, New Zealand, Peru and Portugal. In Canada, there must be active inducement to infringe to grant an order in such terms. In the Netherlands, after a substantial threat of contributory infringement has been proven, the wording will generally be abstract and general. The Portuguese group notes that an order in these terms would be more likely to be granted if it was proven that the supply of means and the circumstances described was imminent.

In Canada, Finland and Sweden it does not appear to be the case that claims for injunctive relief must be directed against particular shipments of means for which the supplied person's intent and the supplier's knowledge has been proven.

In Greece, Peru, Poland and Spain, it appears that claims for injunctive relief must be directed against particular shipments of means for which the supplied person's intent and the supplier's knowledge has been proven.

In other jurisdictions, the situation appears to be more variable. For example, in Australia, it is likely that a claim for injunctive relief would need to be directed against particular shipments of means for which the supplied person's intent and the supplier's knowledge had been proven. This may possibly also be required in New Zealand. In Canada and Finland, claims for injunctive relief need not be drafted in this way. In Sweden, Switzerland and the US, that is probably also the case. In Sweden, injunctive relief may arguably be directed against the supply of means per se if the means are exclusively suited (and therefore necessarily intended) for use in carrying out the invention. In Switzerland, intent on the part of the supplied person and knowledge on the part of the supplier are not requirements, but may be indicative, of contributory infringement. In the US, the supplier must have knowledge that it is providing a product especially made or adapted for use in practising a patent. If that is established, the intended use of all shipments would be presumed to be the practising of the patent, so ordinarily a claim for injunctive relief would be directed against all shipments.

The UK group notes that the usual form of injunction now granted in England (see 5c) above) avoids the issues raised by question 5d).

6. *Is it a condition for the supply or offering of means to qualify as contributory patent infringement that the intended use of means for actual infringement is intended to take place in the country where the means are supplied or offered?*

In Argentina, Austria (probably)<sup>2</sup> Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, New Zealand, Poland, Portugal, Spain, Sweden and the UK, it is a condition for the supply or offering of means to qualify as contributory infringement that the intended use of means for actual infringement is intended to take place in the country where the

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<sup>2</sup> Austria would be likely to follow German law in this respect.

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means are supplied or offered. In Germany and the UK, this requirement is referred to as 'double domestic nexus' and 'double territoriality' respectively. The reports from Hungary, Indonesia, Panama and Peru reach the same conclusion in the absence of any specific provision dealing with this matter based on the principle of territoriality.

In Japan, it is a condition for the supply or offering of means to qualify as contributory patent infringement that the intended use of means for actual infringement is intended to take place in the country where the means are supplied or offered if the means are 'exclusive means'.

It is not a condition for the supply or offering of means to qualify as contributory patent infringement that the intended use of means for actual infringement is intended to take place in the country where the means are supplied or offered in Australia, Egypt, Greece, Israel (probably)<sup>3</sup>, Japan (in the circumstances described above), the Philippines, Switzerland, Turkey or the US. In Australia, intention is not a strict requirement of patent law, but in any event, the infringement need not happen in Australia. For example, a person in Australia supplying to another country could be stopped in Australia if it was found that the means supplied if used in Australia (even if not so used) would infringe an Australian patent.

In a number of jurisdictions the position is governed by the place where any direct infringement occurs. In the US, contributory patent infringement can only exist where direct infringement, or possibly threatened direct infringement, exists. Where the party intended the full invention to be practiced is irrelevant. It is only relevant whether the invention was actually practiced or, possibly will be practiced in the US. In Canada, 'infringement by inducement' requires direct infringement in Canada. It is an open question whether the action of inducement must also occur in Canada. In South Africa, supply of means from a foreign country for intended use in South Africa may be wrongful and give rise to contributory infringement provided the other elements are satisfied.

7. *How is it to be determined where means are supplied or offered?*

This question posed several scenarios by way of example, which are set out below. While the question was not limited to those examples, few groups answered the question generally. Of those that did, for example, the Belgian group provided the general observation that the applicable law is in principle a matter of private international law in relation to contractual obligations. The Canadian group considered the question to be too fact dependent, but noted that Canada has not, to date, exerted 'long arm jurisdiction'. In Denmark there would only be indirect infringement according to Danish patent law if the direct infringement takes place in Denmark. In the Netherlands, the offering or supply must take place in the Netherlands for putting the invention into effect in the Netherlands in circumstances where the offeror or supplier knows (or is it obvious in the given circumstances) the means are suitable for and destined to put the invention into effect. An offer made by a Dutch supply to a foreign purchaser does not constitute contributory infringement.

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<sup>3</sup> Israel may follow the US position in this respect.

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The majority of groups who answered this question did so specifically by reference to the examples. Some groups commented that the examples did not provide all facts relevant to determining where infringement would occur, but noted generally that infringing activities must take place in their territory in relation to a patent effective in their territory, eg the Czech republic. This appears to be the case in many jurisdictions, so variation in answers may depend on what constitutes contributory infringement in the relevant local law, ie whether offering or supplying per se is enough or whether there needs to be an act of direct infringement before contributory infringement can be found.

A summary of the answers in relation to the various scenarios depicted in the examples are set out below.

*- Supplier X conducts business in country A, X agrees to supply person Y with means for an infringing use in country B. Are the means supplied in country A or B or in both?*

**[Scenario 1]**

In Brazil, Portugal and the UK, the means are supplied in country A. In Portugal, the establishment or transfer of rights in rem occurs as a primary effect of the contract. The UK group report notes that subject to alternative contractual terms, supply will be where delivery occurs. If delivery occurs in country A, that is where the passing of property occurs.

In Greece, New Zealand, Panama, Peru, Philippines and Switzerland, the means are supplied in country B. In Peru, there will be no infringement until all essential elements are assembled into the final patented product. In the Philippines, there is no contributory infringement without direct infringement, and as the act of direct infringement is performed in country B, the accompanying act of contributory infringement is likewise effected in country B.

In Australia, Austria (probably)<sup>4</sup> Germany, Indonesia, Israel (possibly) and Poland, the means are supplied in both country A and B. In Australia, by definition, if country B was Australia, covered by an Australian patent, the supply to country B could be stopped in country B. Also, if country A was Australia, covered by an Australian patent, the supply or offer to supply in country A or to country B could be stopped. Under German law, if X supplies the means from country A to country B, supply is considered to have occurred in both countries. Indonesian law would assume that both X and Y are infringers.

A number of group reports noted that the answer would depend on where the actual supply or sale takes place, eg Argentina, Spain and Turkey. In Italy, it depends on the conditions of delivery. In Finland, only acts which occur within the territory of Finland may constitute an infringement of a Finnish patent.

In Japan, there is no stipulation of an act that literally corresponds to 'supply'. Acts recognised by the Japanese Patent Act which may relate to supply include 'export', 'import' and 'assign'. In Japan, 'assigning' requires not just 'agreement' but also 'transfer of goods'. 'Importing' and 'exporting' connote the act of 'transfer'. The Japanese group notes that this

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<sup>4</sup> See footnote 1.

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could lead to a conclusion that the means are not supplied in either country even if there was an agreement to do so.

Under US law, contributory patent infringement is always determined as it applies to activities occurring in the US. If country A is the US, liability arises for supplying in or from the US regardless of where the transfer from X to Y occurs. If the means are supplied from country B or some third country C, there is no liability merely for an offer in the US. If country B is the US, there would be liability because the product would be imported into the US. The practical standard for holding that X 'supplies' the means in the US is that if X has sufficient contacts in the US for a US court to exercise personal jurisdiction over X. In that case the court will usually hold X to be the infringing importer regardless of any provisions of the supply contract.

*- Supplier X undertakes to deliver means "free on board" in a harbour in country A in the same circumstances. Are the means supplied in country A or B or in both? [Scenario 2]*

In Argentina, Austria, Brazil, Bulgaria, Finland, Germany, Greece, Poland, Portugal, Spain, Sweden, Turkey and the UK, the means are supplied in country A.

In Panama, Philippines and Switzerland, the means are supplied in country B.

In Australia, Egypt, Indonesia, Israel (possibly) and New Zealand, the means are supplied in both countries.

In Japan, noting that 'agreement' alone does not constitute supply in either country A or B, if the delivery is undertaken, it is assumed that goods were transferred in country A, and 'assigning' to of a place in country A. In that scenario, 'exporting' also takes place from country A and 'importing' takes place to country B. In Peru, the supplier is committing to an infringement in a country other than country A. When the means arrive in country B, the supplied person has not committed any infringing act until all essential elements are assembled into the final patented product. In the US, the location in which titled goods are transferred will not necessarily be determinative of liability. Shipping product 'free on board' to a location outside the US does not preclude that sale from having occurred inside the US for the purpose of contributory infringement.

*- Supplier X undertakes to deliver means "free on board" in a harbour in country B in the same circumstances. Are the means supplied in country A or B or in both? [Scenario 3]*

In Austria, Brazil, Portugal and Spain, the means are supplied in country A.

In Argentina, Bulgaria, Finland, Greece, Israel (possibly), New Zealand, Panama, Peru, Philippines, Switzerland, Turkey and the UK, the means are supplied in country B. The UK group notes that, in answering this question, it is necessary to make some assumptions. If one assumes that the first harbour for the means is in country B then supply under free on board terms would be country B subject to any contractual terms agreed to the contrary. If the question means that the goods pass through a harbour in country A before reaching a harbour in country B, the contract would not normally be expressed to be as free on board in harbour B. In this latter scenario, supply may be deemed to take place in country A, but the exact position would turn on the facts.

In Australia, Austria (possibly), Egypt, Germany and Poland, the means are supplied in both countries.

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In Japan and the US, the same considerations apply as in relation to scenario 2 above.

*- If the offer was made in country A but accepted in country B, are the means supplied in country A or B or in both? [Scenario 4]*

Few groups were able to answer this question definitively.

A number of group reports commented that the answer will depend upon where the supply or delivery takes place, eg Argentina, Austria, Bulgaria, or that, by reason of offer, acceptance and supply each constituting separate acts, it is not possible to draw any conclusions from the scenario provided, eg Finland, Germany, Peru, Philippines, Sweden, Turkey, the UK and the US. A number of these group reports noted that where the offer is made is not relevant for determining where the means are actually supplied or for determining infringement.

Of the groups who provided specific answers:

- (a) in Brazil the means are supplied in country A;
- (b) in Greece, New Zealand, Panama, Portugal and Switzerland, the means are supplied in country B; and
- (c) in Australia and Indonesia, the means are supplied in both countries.

8. *If means suitable for being incorporated into a patented product P are supplied by supplier X in country A to person Y, in circumstances where it was known to X (or it was obvious in the circumstances):*

- i) that Y intended to export the means to country B and complete product P in country B; and*
- ii) that Y intended to export the completed product P into country A,*

*would Y then be regarded as having intended to put the means to an infringing use in country A by importing and selling product P in country A, with the consequence that X could be held liable for contributory infringement in country A by supplying the means to Y?*

This question was answered in the affirmative by most groups – Argentina, Australia, Austria, Belgium, Brazil, Denmark, Egypt, Finland, Germany, Greece, Hungary, Indonesia, Israel, Italy, Netherlands, Philippines, Poland, Portugal, South Africa, Switzerland, the UK and the US. A number of groups commented that there was no specific case law dealing with this particular scenario, but the conclusion was that X could or would likely be held liable for infringement in country A, eg Netherlands, Switzerland and the US.

In New Zealand, Spain and Sweden, it does not appear to be likely that X would be liable for contributory infringement in country A. In New Zealand, this might depend on whether the activity in country B was merely superficial. In Spain, the issue would turn on whether the means supplied by X have been used or were going to be used for practising the invention of product P in Spanish territory. In Sweden, as Y does not intend to carry out the invention in country A, X's supply of means to Y does not literally infringe, although a Swedish court may disregard the intervening step involving completion of the product in country B and hold that X's actions constitute contributory infringement.

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9. a) *Is the question of contributory infringement determined in accordance with the law of the country in which the means are:*

i) *offered; or*

ii) *supplied?*

In many cases, the question of contributory infringement cannot be determined in accordance with the law of the country in which the means are offered or supplied only on the basis of such offer or supply alone. Additional considerations may be the circumstances of offer or supply, the jurisdiction in which the contract is formed, whether a patent effective in the territory under consideration is invoked, and where the act of direct infringement occurs. As noted earlier, in many jurisdictions, mere offer or supply is insufficient to establish contributory infringement. For example, a number of jurisdictions require that the means are suitable and/or intended for putting the invention into effect in the applicable jurisdiction, which amounts to a requirement that the direct infringement take place or be intended to take place in that jurisdiction, eg Belgium, Denmark, Japan, Philippines, South Africa and Switzerland. By contrast, Israel expressly answered 'no' to 'offer' and 'yes' to 'supply'.

In Argentina, Greece, Indonesia, Italy, New Zealand, Peru and Turkey, the question of contributory infringement is determined in accordance with the law of the country in which the means are supplied.

In Australia, Belgium, Brazil, Czech Republic, Denmark, Finland, France, Germany, Hungary, Japan, Netherlands, Philippines, Poland, Portugal (by implication), South Africa, Sweden, Switzerland, the UK and the US, it may be either, depending upon additional circumstances. A number of the groups commented that both the offer and supply may each constitute separately a case of contributory infringement, leading to the conclusion that provided one or other occurs in the relevant jurisdiction, it is the law of that jurisdiction pursuant to which the question of contributory infringement will be determined, eg Australia, Germany, Poland. In Austria, 'offer' or 'supply' may be invoked.

Both the UK and US groups noted that if the courts of their country are assessing contributory infringement, then it will be in accordance with the law of their country. In the UK, where goods are supplied into the UK, or offered to be supplied into the UK, and infringement in the UK is alleged, then the courts will apply UK law. In the US, if a product is offered for sale or sold in the US, there may be a finding of contributory infringement, but the offer for sale or sale or other supply in a foreign country would not be relevant to a determination of contributory infringement. The prohibition on supplying or causing to be supplied in or from the US means that the country to which the product is offered is not determinative of contributory patent infringement.

A similar situation exists in Japan, subject to the qualifications in relation to the term 'supply' noted earlier. Japanese law will apply if there is 'offering for assignment' and assignment in Japan, whereas 'offering for importing' to Japan or 'offering for exporting' from Japan do not amount to acts of contributory infringement.

By contrast, in the Netherlands, if the means are being offered or supplied in the Netherlands for working the patented invention in the Netherlands, Dutch law will apply, but

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if the means are offered in the Netherlands for working the patented invention outside the Netherlands, Dutch law still applies but an indirect infringement cannot be assumed. If the means have been offered outside the Netherlands but supplied into the Netherlands for working patented invention, infringement is assumed.

In Canada, the governing law for construction of a contract is the jurisdiction in which the contract is formed, which depends upon the facts of invitation, offer and acceptance, further compounded by conflicts of laws issues if the influence (required pursuant to Canadian law) and the supply occurs in Canada, the question of infringement by inducement is determined by Canadian law.

*b) What is the applicable law if the means are offered in country A but supplied in country B?*

Similar considerations referred to at a) above apply.

If the act of offer constitutes contributory infringement, that will be sufficient for the applicable law to be country A. It may of course also be the case that the act of supplying country B constitutes contributory patent infringement according to the laws of country B. The groups have generally answered the question on the basis that their country is country A. Where they have done otherwise, this is noted.

In Australia, Belgium, Brazil, Germany, Hungary, Netherlands, Philippines, Poland, Portugal (by implication), Switzerland, the UK and the US (subject to an exception noted below), if the means are offered in country A, the law of country A applies, assuming the act of offer constitutes contributory patent infringement. The Australian, German and Hungarian groups note that the law of country A is applicable to the offer, while the law of country B is applicable to the supply.

As for a) above, in a number of countries, there would also have to be a direct infringement in country A, eg Denmark, Philippines, Switzerland.

The US group notes that if the US is country A, there will be liability because the offer for sale occurs in the US, but only if the means, or the final infringing product, is to be imported into the US. In the US, it has not been finally resolved whether it is sufficient for only the offer to occur in the US. Liability could nonetheless be found for the supply in country B if the means is being supplied or caused to be supplied from the US.

In Argentina, Canada (subject to the following), Egypt, Greece, Israel, Italy, New Zealand, Peru, South Africa and Turkey, the applicable law is country B. The Canadian group notes that there is no Canadian law on this point, but pursuant to Canadian law, where a contract is made in Canada and there is a Canadian patent, it is not an infringement of the Canadian patent if the supply pursuant to the contract is in another country. Accordingly, where an event occurs in country B the applicable law and jurisdictional authority would be foreign country B. In Egypt, if Egypt is country B, Egyptian law will apply. If Egypt is country A, Egyptian law will not be applicable because liability for contributory infringement does not arise by reason of offer alone. To establish liability, the act needs to have been completed, ie the supply must actually occur. The New Zealand group's answer is premised on an assumption that the patent infringement is procured by the use of the means in country B. The situation in Peru can be likened to Egypt in that Peruvian law only

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applies if the essential offer elements are already assembled into the infringing product and are in Peru. South Africa's response is premised upon the need for a direct infringement to take place in South Africa, so assuming country B is South Africa, country B's laws would apply.

*c) Are there any other relevant principles to determine the applicable law?*

Principles noted by the groups included:

- Regulation (EC) No 864/2007 of the European Parliament; the Rome II Regulation – Austria, Portugal also (mentioned by other groups in answering other aspects of question 9).
- Determination by the place where the direct or contributory infringement takes place – Brazil, Italy, Peru.
- Territoriality of patent protection – Czech Republic, Germany, Netherlands, Philippines.
- General principles of private international law with respect a court is competent to assume jurisdiction – Egypt.
- Criminal law, custom law, civil law, consumer protection law – Indonesia.
- Equitable behaviour – Israel.
- National jurisprudence relating to choice of law – US.

## **II) Proposals for substantive harmonisation**

1. *In a harmonised system of patent law, what should be the conditions for an act of supply or offering of means to qualify as a contributory patent infringement?*

A number of the groups provided detailed answers to this question. It is assumed that all groups who provided suggestions for the conditions for an act of supply or offering of means are in favour of some form of harmonisation, at least to the extent proposed.

The Australian group supports harmonisation of contributory patent infringement laws provided that does not result in extra-territorial effect or outcomes. The Brazilian group considers that current substantial diversity in national legal systems, and present difficulties in advancing discussions about the harmonisation of patentability requirements, render it premature to consider harmonisation of issues relating to the enforcement of patent rights. However, the Brazilian group went on to offer conditions for an act of supply or offering of means to qualify as contributory patent infringement in any harmonised system of patent law. The Chinese group considers it premature to promote international uniform rules concerning contributory patent infringement but suggests ongoing comprehensive study by AIPPI aimed at understanding differences between countries or regions, and ultimately proposing a solution.

A number of groups expressed the view that all countries should have some form of contributory infringement provisions in their national legislation. The Swedish group noted

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that the mere existence of a prohibition against contributory patent infringement has a deterrent effect.

The Japanese group considers that the starting point is that anything other than direct infringement does not constitute infringement, so indirect infringement (as contributory infringement is characterised in Japan) should be very limited and exclude circumstances where there is anything other than a high likelihood of contributory infringement or the degree of involvement with direct infringement is low. By contrast, the Philippines group proposes that there should be no conditions for the act of supply or offer of means to qualify as contributory patent infringement.

A number of groups suggested that Article 26 of the Agreement relating to Community patents (**CPA**) which, although not in force, provides an appropriate framework. Article 26 states:

1. A Community patent shall also confer on its proprietor the right to prevent all third parties not having his consent from supplying or offering to supply within the territories of the Contracting States a person, other than a party entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect therein, when the third party knows, or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect.
2. Paragraph 1 shall not apply when the means are staple commercial products, except when the third party induces the person supplied to commit acts prohibited by Article 25.
3. Persons performing the acts referred to in Article 27(a) to (c) shall not be considered to be parties entitled to exploit the invention within the meaning of paragraph 1.

Article 27 states:

The rights conferred by a Community patent shall not extend to:

- (a) acts done privately and for non-commercial purposes;
  - (b) acts done for experimental purposes relating to the subject-matter of the patented invention;
  - (c) the extemporaneous preparation for individual cases in a pharmacy of a medicine in accordance with a medical prescription nor acts concerning the medicine so prepared;
- (...)

This suggestion is specifically supported by the Netherlands, Sweden and the UK, but the latter group supports the addition of a clear double territoriality requirement. The Romanian group generally supports harmonisation with European jurisdictions.

Some of the specific conditions proposed are set out below under various themes.

### **Supply or offer**

Most groups, either expressly or by implication, appear to support the proposition that both acts of supply and offer can constitute contributory patent infringement (although, for the most part, with additional criteria).

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However, the Argentine group considers that contributory infringement should be limited to the actual supply of means or acts to perform an infringing product or process, and the mere act of offering should not be considered to contributory infringement. The US group proposal does not focus to any degree on this element but does not appear to contemplate acts of offering to supply.

#### **Use or effect of the means**

Most groups, either expressly or by implication, appear to support the proposition that the means must be used in accordance with the patent, or for putting into effect the invention, or be suitable for use in practising the invention, or the like iteration. These groups include Brazil, Czech Republic, Denmark, France, Greece, Hungary, Netherlands, Peru, Spain, Sweden, Turkey, the UK and the US.

#### **Means relating to an essential element**

The Belgian, Danish, Finnish, French, German, Hungarian, Peruvian, Polish, Spanish and Turkish groups support an 'essential element test'. Generally, the preferred test is that the means should concern 'an essential element' of the invention. The Danish proposal for harmonisation proceeds on the basis of the offer and/or supply of 'means essential for a use liable to direct infringement'. It appears that the Polish group also supports a more holistic test on the basis that for there to be infringement 'means offered should incorporate the essential features' of the patent. The Greek and Brazilian groups favoured the concept of 'substantial element'.

By contrast, the Swiss group expressly rejects the 'essential element' criteria in favour of the existing Swiss requirement that the supply or offer of a means is the 'adequate cause' of the direct infringement. This Swiss group believes this has the advantage of flexibility, avoiding the need to undertake the difficult identification exercise in relation to the essential element, and provides a broad basis for satisfying the requirement of adequate causal connection.

The Canadian proposal envisages the possibility of the means constituting a non-infringing component of a product, but proposes that such component must not be a trivial component. The same principle seems to underlie the US proposal that the component means have limited utility other than in a way that falls within the language of the claim of the patent. The US group explains that this envisages the component means are specifically made or adapted for an infringing use and have no substantial non-infringing use.

#### **Suitability/intended use known or obvious to supplier**

Most groups who addressed this issue expressed a preference for a 'known or obvious' test with some groups apparently preferring a test limited only to the supplier's actual knowledge, eg Canada, France, Hungary, New Zealand, Peru, Portugal and the US.

The Argentine group considers that the intent of the contributory patent infringer should be irrelevant. In contrast, the Bulgarian group considers that the intent of the contributory patent infringer should be taken into account, particularly if the presence of bad faith is established.

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The US group considers there should be no liability for contributory infringement under a harmonised system where a supplier provides a product into the stream of commerce with no knowledge of the possibility that a downstream user could incorporate that product into an infringing system.

### **Intent of supplier**

The intent of the supplier is relevant under Article 26 CPA. Accordingly, a number of groups whose proposals are based on Article 26 seemingly endorse this concept as a condition.

The Australian group considers there are difficulties in holding a supplier (contributory patent infringer) accountable for the intentions of the person supplied and, as a practical matter, proving whether the supplier was in fact aware of the supplied person's intentions. The Egyptian group considers that any act accompanied by an intent to infringe or reasonable knowledge that it would result in infringement should qualify as contributory infringement.

### **Direct infringement**

A number of groups propose that actual or direct infringement should be a condition, including Canada, Denmark, Greece, Poland, South Africa, Switzerland and the US. The Polish group considers that there should be a requirement that the accessory is intended to facilitate the direct infringement.

By contrast, the German group rejects that a direct patent infringement should be required as a condition for contributory patent infringement because the contributory patent infringement sets out an absolute offence which is intended to prevent patent infringement in advance of its occurrence.

### **Staple commercial products/inducement**

Again, if groups advocate adopting the conditions in Article 26 CPA, their proposals include by implication an additional requirement that when means are staple commercial products, the alleged contributory infringer must induce the person supplied to commit the relevant acts.

Finland, France, New Zealand and Spain propose that if the means are staple commercial products, there must be a requirement that the supplier attempted to induce the supplied person, or that the supplier's purpose was to procure that the supplied person, or that the supplier must incite the supplied person (respectively) to carry out the infringement or use the means to practice the invention.

The South African group advocates an intention to induce or cause the supplied party to infringe a patent generally, and does not limit that proposal to staple commercial products.

### **Territoriality**

Relatively few of the groups proposed specific conditions relating to territoriality or jurisdiction. The Australian group noted that any attempt to give national law an extra-territorial effect would be problematic on a number of fronts, including by reason of potential conflict with international law of sovereignty. The Greek group also notes that any

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proposals relating to contributory patent infringement raise important questions regarding territoriality.

The Danish proposal at point 6 below articulates a test premised upon liability for contributory infringement being linked to the country where the offer or supply occurs. By contrast, the Swiss group favours a solution under which the law of the country in which the direct infringement takes place also applies to all contributory actions, regardless of where they are performed, on the basis that all contributory actions to a specific direct infringement are decided under the same substantive law. As noted above, the German and UK groups favour a double territoriality requirement.

The US group proposed that in any harmonised system one of the fundamental conditions of contributory patent infringement should be that the component means or final combination which includes the component means at some point 'touches' the jurisdiction that issued the patent. This could be that the component or final combination is sold in, imported to or exported from that jurisdiction.

The French group laid out a formula for the conditions of territoriality:

- For the supply to be illegal, it should take place in the territory of the patent;
- The offer may take place in the territory of the patent, while the supply may take place:
  - in the territory of the patent; or
  - in another territory (provided that the invention is ultimately implemented in the territory of the patent)
- The offer may take place in another territory if the means:
  - are supplied in the territory of the patent by the person who offered the supply; or
  - are intended to be supplied in the territory of the patent by a third party provided that the third party, who offered to supply the means in the territory of the patent knows (or it is obvious from the circumstances) that the means are intended to be supplied in the territory of the patent.

2. *In a harmonised system of patent law, to what extent should injunctive relief be available to prevent contributory patent infringement?*

The great majority of groups that answered this question are in favour of injunctive relief being available to prevent contributory patent infringement. However, the Czech Republic considers that, in the absence of a harmonised system of patent law concerning injunctive relief against direct patent infringement, it is premature to develop a harmonised system of patent law in which injunctions would be available against indirect infringement. Otherwise, there was generally strong support for the availability of injunctive relief to prevent contributory patent infringement. A number of the groups supported the proposition that injunctive relief should be available to the same extent as in the case of direct infringement – Argentina, Austria, Brazil, Finland, Hungary, Romania, Turkey, the UK and the US.

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The Australian group noted that it is circumspect about allowing for intentional/potential contributory infringement to be enjoined, and further noted that if such a resolution is to be proposed, it would argue that such resolution must be supported by real evidence of plans in place by the supplier to contribute to infringement. This may, in effect, align with the Swedish group proposal which states that injunctive relief should be available for all completed acts of contributory patent infringement and completed acts of aiding and abetting such infringement, as well as *immediate* threats of either such acts.

The Austrian, German, Japanese, Polish and Swiss groups counsel against overly broad injunctive relief. The Austrian and German groups consider it reasonable to allow unrestricted injunctive relief when the means offered or supplied can be used exclusively for patent infringing purposes. However, if non infringing uses are possible, the injunctive relief against the contributory infringer should only relate to the obligation not to supply the means without suitable measures to ensure that patent infringing use does not occur. Similarly, the Japanese group would be concerned to endorse a wide injunction when there are other non-infringing uses. The Polish group would limit an injunction in those cases to supply or offer of the products to specific entities, whereas the Swiss group would limit the scope of the injunction to actions that in fact abet or which could reasonably be expected to abet a direct infringement.

The French group adds that injunctive relief against the manufacture of the means should not be available as the act of manufacture is not necessarily performed with the intention of infringing the rights of the patentee.

3. *In a harmonised system of patent law, how should it be determined where means are supplied or offered?*

Various suggestions as to how it should be determined where means are offered or supplied are summarised below.

**Determination of where means are supplied**

- Place of delivery/actual supply<sup>5</sup>
- Governed by contract/where the contract is made<sup>6</sup>
- Country of alleged contributory/indirect patent infringement
- Country of alleged direct patent infringement
- Country of where infringing act occurs
- Country where protection is sought
- International common rules

**Determination of where means are offered**

- Place of offer/inducement<sup>7</sup>

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<sup>5</sup> Multiple places if multiple jurisdictions involved.

<sup>6</sup> Differing views as to whether definitive or a factor only.

<sup>7</sup> See footnote 5.

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- Country of alleged contributory/indirect patent infringement
  - Country of alleged direct infringement
  - Country of where infringing act occurs
  - Country of where protection is sought
  - International common rules
  - Where sales promotion takes place and to where it is directed

4. *Should special rules apply to offers transmitted via electronic devices or placed on the internet?*

The majority of groups who answered this question were not in favour of special rules.

Bulgaria, Greece, Italy, Japan, New Zealand, Portugal and Romania, Spain and the US are in favour of special rules, in some instances limited to specific circumstances, eg Greece (on-line auctions), Japan (Internet as opposed to batch emails to specified addresses).

The French group favours consideration of the target territory of the accused Internet site, and the link between the accused acts and the damage suffered in the territory where the protection is sought. Peru suggests consideration of regulations related to specified domains. The US advocates an international approach that defines acceptance of an offer over email, adopting relevant concepts from the UN convention on Contracts for the International Sale of Goods, and the principle that email communications will be effective on despatch if the sender has a reasonable expectation that the communication will be received as long as the recipient opens it.

5. *In a harmonised system of patent law, how should it be determined which country's law should apply to acts of offering or supplying means where persons or actions in more than one country are involved?*

There was a broad range of responses to this question and no clear consensus as to a preferred method for determining which country's law should apply to acts of offering or supplying means where persons or actions in more than one country are involved.

Proposals included the following:

- The law of the country where the offer or supply occurs.
- The law of the country where the infringed patent is enforced.
- The law of the country where the agreement to supply took place.
- The law of the country where direct infringement occurs.
- The law of the country where intended infringement occurs.
- The law of the country where the final patented product is commercialised.

A number of the groups expressed concerns in relation to maintaining traditional principles of territoriality.

While some of the responses suggested that patentees should be able to 'forum shop' where more than one country was involved, the UK group suggested that in cases where

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infringement is accused in several countries and it is possible that different courts could come to different conclusions:

- (a) to the extent that the question of supply is determined between the same parties in one court, it would be expected that the question would be *res judicata* as between those parties in other courts if the law of contributory infringement is the same in those other courts;
- (b) it may be convenient or necessary in some cases depending upon the jurisdictional arrangements between the countries concerned that proceedings in one country are stayed while the question of supply is determined in another country.

The US group proposed a requirement that the infringer intended the component means be supplied in the country whose laws are to be applied or had knowledge that, by introducing the product into the stream of commerce, it would enter into the country whose laws are to be applied. Accordingly, in determining which country's laws should apply in the contributory infringement action where contracts and actions span international boundaries, two enquiries should be made:

- (i) is the offer to sell or sale occurring within that country; and
- (ii) did the party have the intent that the product was sold in that country.

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

The French group favours a harmonised definition of 'essential element of the invention', and suggests:

An essential element is an element which is a component of the claimed invention, ie an element of the claim *en suit* that contributes directly, through the function it fulfils in the claimed subject-matter, to the result of the invention.

Otherwise, there are not a lot of other views or proposals for harmonisation beyond those set out above. The Australian, Swiss and UK groups reiterated their proposals in relation to territoriality already canvassed above. The Brazilian group encouraged substantive harmonisation, as well as judicial cooperation mechanisms in bilateral and multilateral treaties. The Peruvian group recommended that AIPPI continue studying contributory patent infringement, and the Spanish group encouraged harmonisation efforts to define agreed requirements in detail so as to minimise doubt in any interpretation and application.

### **III) Conclusions**

On the basis of the groups' responses summarised above, it seems that the majority of groups would confirm the resolutions in paragraphs 1) to 7) of Resolution Q204, as such resolutions relate to contributory patent infringement. The challenge is to seek to develop a resolution that takes harmonisation of contributory infringement as it relates to patents further than Resolution Q204.

The Working Committee might usefully further explore whether there is a basis for consensus amongst a majority of the groups on the following points. These points are largely taken from the questions but are selected on the basis that there was at least a significant number of groups supporting the position as stated below.

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The Working Committee is urged not to approach the task of formulating a resolution based only on the position in their current respective domestic laws. As noted, a number of jurisdictions do not have developed laws in this area. Rather, the Working Committee is urged to approach the task of formulating a resolution which could assist to harmonise existing laws relating to contributory patent infringement, and further, to provide a basis for jurisdictions whose laws do not currently provide for contributory patent infringement, a framework for doing so.

Before turning to the points below, it is worth noting a couple of important preliminary matters relating to applicable law and the distinction between manufacture and supply (or offer), particularly in the context of remedies.

In relation to applicable law, when there is a cross-border transaction from country A to country B, and the question is whether that may contribute to infringement of a patent in country B, the applicable law for the infringement is clearly country B. However, it may not be the law of country B which determines how certain transactional acts are qualified, eg as an offer. It may be useful to set this out in the recitals or considerations of the resolution.

In relation to the distinction between manufacture and supply (or offer) of parts which may contribute to infringement, there appears in a number of cases to be a distinction between the supply (or offer) as the infringing contribution, rather than the manufacture, particularly if the manufacture occurs in a country where there is no corresponding patent protection. In the context of remedies, the manufacture per se in country A would not infringe a patent in country B, so an injunction based on the patent in country B could not be directed against manufacture which occurred in country A, whereas an injunction might be directed against the offer (whether that be per se or under certain conditions) to supply the product into country B, under the law of country B.

Some further positions that might find general support are indicated below.

- 1) It should be a condition for the supply or offering of means to qualify as contributory patent infringement that the means supplied or offered were suitable to be put to a use that would put the invention into effect.
- 2) If the means are also suitable to be put to other uses not related to the invention, the intention of the supplier should be relevant to determining whether any remedy for contributory patent infringement should be available, and the scope of such remedy.
- 3) It should be a condition for the supply or offering of supply of means to qualify as contributory patent infringement that the person supplied intended, at the time of being offered or receiving the supply, to put the means to an infringing use.
- 4) The test for determining whether an element is essential, valuable or central should take as its starting point the ordinary principles of claims construction and patent infringement, such that the means must relate to those essential integers by which the invention is realised or put into effect?
- 5) To the extent that the means supplied or offered are staple commercial products, such means should be treated differently to means which are not staple

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commercial products – possibilities include excluding such means from providing the basis for contributory patent infringement at all, or requiring as an additional condition for the supply or offering of means to qualify as contributory patent infringement that the supplier provides instruction, recommendation or other inducement to the person supplied to put the good supplied or offered to an infringing use.

- 6) Injunctive relief should be available against acts of contributory infringement. Should such relief be limited to the supply of the means? If relief is to extend to manufacture, in what circumstances should it be available (if at all)?
- 7) Should there be a 'double domestic nexus' or 'double territoriality' requirement such that the intended use of means for actual infringement is intended to take place in the country where the means is supplied or offered?
- 8) If means suitable for being incorporated into a patented product are supplied by supplier X in country A to person Y, where it was known or obvious in the circumstances to X that:
  - i) that Y intended to export the means to country B and complete the product in country B; and
  - ii) Y intended to export the completed product into country A,Y should be regarded as having intended to put the means to an infringing use in country A by importing and selling their product in country A, with the consequence that X is held liable for contributory infringement in country A by supplying the means to Y.
- 9) In relation to determining where means are supplied or offered, the considerations referred to in paragraph 3 of Part II) above might form the basis for a set of non-limiting factors to be taken into account.
- 10) There should be no special rules applying to offers transmitted by electronic devices or placed on the internet.