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Using tort law accessory liability to protect intellectual property rights

Joachim Dietrich*

An accessory is someone who is wrongfully involved in another's wrong. Accessory liability is an important mechanism for enhancing the protection afforded to holders of legal rights against wrongful interference in those rights. Accessory liability in tort law has been extended to apply to statutory intellectual property (IP) wrongs, that is, statutory torts, and thereby serves an important function in protecting economic and other interests, albeit in a context where other parties may have competing interests. Such liability is narrow, however, as it generally requires culpable conduct on the part of the intermediary or ancillary party, established by a rigorously applied knowledge element. As such, in the context of widespread, internet-facilitated, IP infringements, the fault-based concept of accessory liability is unlikely to provide for redress against intermediaries whose conduct facilitates such infringements. Accessory liability has largely failed to deter such infringements and is probably not an appropriate mechanism for balancing the competing interests that are at stake.

I Introduction

Accessory liability is an important mechanism for enhancing the protection afforded to holders of legal rights against wrongful interference in those rights.¹ Accessory liability further vindicates those rights. It performs the pragmatic function of spreading the net of obligation beyond primary wrongdoers, to persons who are *accessories* to others' primary wrongs. In some cases, it may be easier for a claimant to proceed against an accessory (A) rather than the primary wrongdoer (PW); this may be so, for example, if PW has disappeared, or if A has deeper pockets. As the US Supreme Court noted in *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd*,² in the context of copyright law: where there are widespread and multiple infringements, the impossibility of effectively enforcing rights against direct (primary) infringers may mean that the only practical alternative for copyright owners to protect their rights is to pursue parties for 'secondary' (accessory) liability.³ Similar ideas provide rationales for accessory liability as it operates more generally in private law.

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1 This article draws upon the analysis of accessory liability in J Dietrich and P Ridge, *Accessories in Private Law*, Cambridge University Press, 2015.

2 (2005) 64 IPR 645 at 652; 545 US 913 at 929–30.

3 Compare *Roadshow Films Pty Ltd v iiNet Ltd* (2012) 248 CLR 42; 286 ALR 466; [2012] HCA 16; BC201202230 at [110] per Gummow and Hayne JJ (*Roadshow*):

The extent to which a particular claimant's rights are additionally protected will depend on how broadly or narrowly the law defines and applies accessory liability (that is, its scope), which in turn depends on the specific primary wrong committed. Rights and interests that warrant special protection, perhaps because the holders of such rights are particularly vulnerable, are better protected by more broadly operative accessory rules. Economic and property interests are often the focus of such protection. Equity's broad-ranging liability rules and remedies that enhance the protection of beneficiary's rights against a range of parties, including accessories and even innocent parties, provide an example. Equity's accessory rules thereby increase a claimant's chances of a successful claim.⁴ Accessory liability for statutory wrongs such as breaches of corporate duties, or for misleading conduct in Australian statutory law, are other contexts in which accessory liability may go some way to enhancing the protection of economic interests.

The focus of this article, however, is on the protection of intellectual property (IP) rights. There are two broad means by which IP rights are protected by accessory liability. First, the courts have utilised tort law (in what has been described as a 'bold' step)⁵ to impose liability on accessories to torts that have a statutory basis. Second, IP rights are protected against parties who are ancillary to the commission of primary wrongs via specific statutory liability provisions, some of which target accessories (and some of which operate against third parties more broadly). In the IP context, such liability is usually labelled 'secondary' liability, or intermediary liability. I will use the label accessory liability consistently with the wider use of that term outside of the IP context. An example of the latter — statutory accessory liability — arises where a person has 'authorised' an IP infringement.⁶ Statutory accessory liability is not the focus of this article which, primarily focuses on the first means.⁷ The conclusion of this article that tort accessory liability is of little utility in protecting IP rights, nevertheless probably translates to the IP statutory accessory regimes.

It should be noted at the outset that for the most part in Australian IP law, and especially in copyright litigation, the focus has been on the interpretation of the statutory accessory liability, including the interpretation of 'authorisation'.⁸ In the United Kingdom, however, the focus has been much

Liability as a secondary infringer of copyright has been said to have an economic rationale similar to that of the tort of inducing breach of contract, namely a lower cost of prevention of breach of the primary obligation.

They cite W M Landes and R A Posner, *The Economic Structure of Intellectual Property Law*, Harvard University Press, 2003, pp 118–19.

4 Compare, eg, *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378 at 386–7; [1995] 3 All ER 97 at 103–4 (*Royal Brunei Airlines*) and *Consul Development Pty Ltd v DPC Estates Pty Ltd* (1975) 132 CLR 373 at 397; 5 ALR 231 at 251 per Gibbs J; BC7500014.

5 See quote to below n 19.

6 Copyright and design law in the United Kingdom and Australia, and patents and trademarks law in Australia, provide that right holders have the rights to do the acts or exploit the rights contained within the relevant IP, and that these rights include the right to 'authorise' such use or exploitation. Any 'authorisation' by a person of a primary infringement by another without the consent of the right holder therefore itself infringes those rights.

7 For a more detailed consideration of this topic, see Dietrich and Ridge, above n 1, ch 9.

8 See, eg, *Roadshow* (2012) 248 CLR 42; 286 ALR 466; [2012] HCA 16; BC201202230 at

more on the application of tort law principles of accessory liability. As discussed further below, of course the law governing the liability of intermediaries, particularly in the context of the internet and internet service providers (ISPs), is now governed by complex legislative schemes adopted by member states of the European Union, including in the United Kingdom, based on principles adopted throughout the European Union.⁹ Many of these provide mechanisms to prevent future and ongoing infringements. However, even where such mechanisms apply, the question of accessory liability for *past* infringements is still primarily a matter for tort law principles.¹⁰

This article considers how tort law principles of accessory liability are applied to protect IP rights. It highlights how that common law concept may not be readily suited to appropriately balancing the competing and different economic and other interests of different stakeholders, particularly when those principles are applied to meet the challenges posed by the internet and its use to facilitate multiple infringements.

This article gives a brief overview of the meaning of accessory liability; sets out the relevant tort principles of accessory liability and how they have been applied to IP torts; and then considers whether such concepts are, indeed, an effective mechanism for protecting IP rights, given the complexity of balancing competing economic (and other) interests. It focuses on Anglo-Australian law, though reference is also made to US secondary sources, since much of the literature of the broader policy questions at issue has been written in the US context.

II Accessory liability generally and in tort law

An accessory is someone who is wrongfully involved in another's wrong. There are three key elements of accessory liability in its various manifestations throughout private law, namely

- (1) a primary wrong committed by another;
- (2) involvement, through conduct by the accessory, in that wrong; and
- (3) a requisite mental state on the part of the accessory, generally knowledge of the other's wrong.

The contents of each element are fleshed out by specific doctrines within the common law, equity and statute. Ultimately, the question of liability is a normative one of whether a person is sufficiently involved in the primary wrong with sufficient knowledge such that it is appropriate to hold him or her liable for the primary wrong committed by the primary wrongdoer. The answer depends on the primary wrong that has been committed, particularly in the light of the purposes and values promoted by the law proscribing that wrong, and the factual context in which that wrong came about. It is the

[100], in which the plaintiff did not bring action against the defendant on the basis of tort accessory principles. Compare, eg, *Apotex Pty Ltd v Les Laboratoires Servier (No 2)* (2012) 293 ALR 272; [2012] FCA 748; BC201205859 where common law principles were considered alongside statutory-based claims (for patent infringements).

⁹ For a detailed consideration of these various legislative and regulatory regimes, see J Riordan, *The Liability of Internet Intermediaries*, Oxford University Press, 2016.

¹⁰ This was noted in *L'Oréal SA v eBay International AG* (2009) 81 IPR 135; [2009] ETMR 53; [2009] All ER (D) 169 (Jun); [2009] EWHC 1094 at [344].

combination of A's involvement in PW's wrong with a requisite mental state that creates the liability link with PW's wrong and that makes A's conduct culpable. When such a link exists, the risk of wrongdoing is enhanced and A ought not to be able to hide behind the fact that he or she did not, personally, commit the primary wrong.

As already noted, one rationale that justifies accessory liability is that of providing a right-holder with alternative and further means of redress. Another rationale is that of deterrence, that is, liability rules may have a prophylactic purpose. Accessory liability, especially if it is for the full extent of a claimant's losses (and, in equity, A's gains), provides a disincentive for potential accessories to involve themselves in the wrongs of others and may therefore lead to fewer wrongs.¹¹ We will return to this rationale below though it should be noted on that in the IP context, much of the focus is on deterring conduct that infringes rights because the user has not paid for the use of the intellectual property (rather than in deterring the conduct *per se*).¹²

In tort law, accessory liability is encompassed within joint tortfeasor liability. This broad concept also encompasses other forms of liability: for third parties who are vicariously liable for another's tort, as well as where parties owe joint duties. The focus here is on when a person is a joint tortfeasor on accessorial principles.

Different tests have been articulated for establishing when a person is a 'joint tortfeasor' on accessorial principles. One test is that of procurement: that is, where a party procures (or induces) another to commit a wrong.¹³ A second well-established test is that of common design, where two persons 'agree to common action, in the course of, and further to which, one of them commits a tort'.¹⁴ Acts done by one party to further the common design makes that party 'liable for the tortious acts of the primary actor'.¹⁵

The courts have generally tended to find accessory liability only in very narrowly defined situations: the concepts of procurement and common design are restrictively applied. In part, this is because the weight of more recent authority is against the proposition that conduct in the nature of assistance in or facilitation of a tort suffices to generate liability as an accessory (absent a common design). Although this position is certainly disputable, I do not intend to go into that debate in this article. It suffices to say that in the IP context, in

11 The deterrence rationale is particularly evident in equitable accessory liability. See, eg, *Zhu v Treasurer (NSW)* (2004) 218 CLR 530; 211 ALR 159; [2004] HCA 56; BC200407561 at [121]; *Royal Brunei Airlines* [1995] 2 AC 378 at 386–7; [1995] 3 All ER 97 at 103–4. It reflects the historically strong prophylactic function of equity's jurisdiction over trusts and other fiduciary relationships: see P Finn, 'The Liability of Third Parties for Knowing Receipt or Assistance' in *Equity, Fiduciaries and Trusts*, D Waters (Ed), Carswell, 1993, pp 195, 197.

12 Another rationale is that of property protection, which has been highlighted more in the context of equity accessory cases.

13 *Lumley v Gye* (1853) 2 El & Bl 216 at 232; 118 ER 749 at 755 per Erle J: 'he who procures the wrong is a joint wrongdoer, and may be sued, either alone or jointly with the agent, in the appropriate action for the wrong complained of'.

14 *The Koursk* [1924] P 140 at 155 per Scrutton LJ. As such, the parties' 'shares in the commission of the tort are done in furtherance of a common design'. See at 156 per Scrutton LJ, at 159 per Sargent LJ, both quoting from *Clerk and Lindsell on Torts*, 7th ed, 1921, pp 59–60.

15 *Sea Shepherd (UK) v Fish & Fish Ltd* [2015] AC 1229; [2015] 4 All ER 247; [2015] 2 WLR 694; [2015] UKSC 10 at [38] per Lord Sumption dissenting on the fact (*Sea Shepherd*).

particular, the courts have often refused to impose liability on the basis that mere assistance, even with knowledge of PW's intended wrongdoing, is not sufficient accessorial conduct.¹⁶

It is implicit in the two tests of liability that a primary wrong has been committed and that the elements of such wrong cannot be established personally against the alleged accessory. Problematically, however, the tests do not clearly and separately identify the requisite conduct and mental elements that establish accessory liability. Their meaning tends to be fleshed out in the application of the accessory concepts to specific fact situations and it is difficult to draw general conclusions. I will consider these elements further in the context of the IP torts.

III Intellectual property torts

Many of the early torts cases on accessory joint tortfeasors involved trespass to person, battery, assault and the like¹⁷ and were therefore not concerned with the protection of IP interests. Much of the recent law on accessory liability in tort, however, has in fact arisen in the context of IP infringements.¹⁸ Infringements of IP rights are founded on statutory rules and judicial principles, and are described as statutory 'torts'. The courts have therefore applied general tort law principles to determine whether a party is an accessory ('joint tortfeasor') to a primary statutory infringement by another. As Mustill LJ noted in *Unilever Plc v Gillette (UK) Ltd* when discussing relevant cases in the context of patents (also applied to copyright law):

[this line of authority] concerns persons who are said to have jointly infringed a patent. Essentially this takes a situation where [PW] is an infringer, and adds to it (via the authorities on joint tortfeasors) the possibility that [A] may also have infringed, not through any act which he himself has done, but by virtue of a common design with [PW]. This also is a bold step, since it applies a common law doctrine to the interpretation of a statute. Nevertheless, in the light of *CBS Songs v Amstrad Consumer Electronics* [1988] 2 WLR 1191 the principle is firmly established.¹⁹

As noted above, the two grounds for accessory liability as a joint tortfeasor are procurement and common design, which may overlap; I will consider each in turn.

16 See, eg, cases discussed in Dietrich and Ridge, above n 1, at [5.4.2.3] n 136. However, the denial of liability in many of the cases appears to be based on broader policy grounds. If the courts had wished to find liability, in some cases, a tacit common design could easily have been found, eg, where a defendant sells products to others knowing that they will use them to infringe patents. A common design could be said to be present in such circumstances no less so than in other cases in which tacit agreements have been found.

17 For example, *Re Heydon's Case* (1612) 11 Co Rep 5a; 77 ER 1150; *Smithson v Garth* (1691) 3 Lev 323; 83 ER 711.

18 As already noted above, importantly, the common law rules operate alongside specific statutory tests of accessory liability.

19 [1989] RPC 583 at 603; cited with approval by Chadwick LJ (Tuckey and Simon Brown LJJ agreeing) in *MCA Records Inc v Charly Record Ltd* [2001] All ER (D) 70 (Oct); [2003] 1 BCLC 93; [2002] EMLR 1; [2001] EWCA Civ 1441 at [31]; in Australia, see, eg, *Ward Group Pty Ltd v Brodie & Stone Plc* (2005) 143 FCR 479; 215 ALR 716; [2005] FCA 471; BC200502311 (trademark infringements).

A Procurement

Little judicial attention has been given to what, precisely, must be proved in order to establish 'procurement', although the question of A's mental state, at least, is implicit in the concept. Where A procures PW to commit a tortious act, although knowledge is not specifically alluded to, A clearly knows that PW may do so, and probably even *intends* that PW do so,²⁰ although any 'intention' requirement is satisfied by A's deliberate conduct that brings about PW's wrong.

Consistently with this mental state, defendants will be liable for procuring IP infringements generally only if, by their conduct, they have sought to bring about specific acts that infringe. Conduct that could result in some unspecified infringements being committed by some unspecified parties generally does not suffice. According to Lord Templeman in *CBS Songs Ltd v Amstrad Plc*,²¹ procurement to infringe 'must be by a defendant to an *individual infringer* and must *identifiably* procure a *particular* infringement'.²² In that case, therefore, a supplier of sophisticated recording technology that made high speed copying of copyrighted materials (that is, 'pirate' recording) by its users easier or more likely was not liable. As the equipment could have been used for a range of legitimate purposes,²³ the defendant could not have known when, where or to what extent infringements might take place.²⁴

A broader approach to liability, however, has been adopted where the acts of a party by their very design promote and encourage the process of carrying out inevitable multiple infringements by numerous (primary) tortfeasors. In *Twentieth Century Fox Film Corp v Newzbin Ltd (Newzbin)*,²⁵ an internet search engine for 'Usenet' (an electronic internet message board) provided sophisticated indexing to movies and television programmes, and provided users with the means to download and reassemble the multiple digital component parts (files of infringing materials posted by other users). The provider of the search engine was held liable as a joint tortfeasor for the multiple infringements. Importantly, the defendant profited considerably from

20 The point is made by Lord Templeman in *CBS Songs Ltd v Amstrad Consumer Electronics Plc* [1988] AC 1013 at 1058; 11 IPR 1 at 15; [1988] 2 All ER 484 at 496; [1988] RPC 567 at 578 (*CBS Songs*), in describing a procurer: 'he intends and procures and shares a common design that infringement shall take place'.

21 Ibid.

22 Ibid, at AC 1058; IPR 15; All ER 497; RPC 579 (emphasis added). Unhelpfully, Lord Templeman appears to suggest that knowledge of an individual infringer and of a particular infringement is always a legal requirement for accessory liability, rather than something that will necessarily be present only in cases of procuring.

23 In the United States, on similar facts, the substantial non-infringing use to which equipment could be put precluded liability in *Sony Corp of America v Universal City Studios Inc* (1984) 2 IPR 225; 464 US 417. Compare liability for internet infringements in *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* (2005) 64 IPR 645; 545 US 913 and in *Twentieth Century Fox Film Corp v Newzbin Ltd* [2010] All ER (D) 43 (Apr); [2010] FSR 512; [2010] EWHC 608 (Ch) (*Newzbin*), discussed below.

24 Therefore, even if the court had accepted the possibility of liability for merely assisting, which it rejected, the absence of more precise knowledge in the circumstances of *CBS Songs* [1988] AC 1013; 11 IPR 1; [1988] 2 All ER 484; [1988] RPC 567 justifies the end result, since the defendant would only be able to predict that *some* unknown tortfeasors *might* infringe, whereas some buyers could put the equipment to perfectly lawful uses.

25 [2010] All ER (D) 43 (Apr); [2010] FSR 512; [2010] EWHC 608 (Ch).

these activities. It was not possible to identify particular infringements by particular users because the defendant did not keep records.²⁶ Although the case held that there had been procurement, perhaps the better view is that this was a case of assisting others to infringe. This is because the facilities were provided to users *for their own* purposes, many (but not all) of which infringed IP rights.²⁷

Other cases concern the liability of internet service providers for the sales of infringing materials by users of the services. Liability has not generally arisen; for example, on the part of providers of facilities such as the owners of eBay, an internet market place, that allow persons to purchase and sell goods, as accessories for trademark infringements by some sellers.²⁸ It was held that eBay owed no positive duty to prevent *some* users from infringing, even where it knew some infringements had occurred and were likely to continue to occur. It could not 'be said that the facility is one which inherently leads to infringement'.²⁹ The decision is consistent with an earlier decision

26 Ibid, at [111]. Although attempts were made to conceal the purpose of the search engine and to warn users against infringing or illegal acts, these were 'entirely cosmetic and ... neither intended to be nor in fact acted upon'; see at [42].

27 Similarly, in the United States in *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* (2005) 64 IPR 645; 545 US 913, an internet website owner was held liable despite the fact that the website was also used for non-infringing conduct, since the defendant intended that infringements occur, that is, induced them. See US at 938–40. See also *A & M Records Inc v Napster Inc* (2001) 239 F 3d 1004; (2000) 50 IPR 232, in which injunctive relief was granted against a website providing peer-to-peer file sharing technology; the court held that the preliminary injunction was justified even if some non-infringing use was made of the technology, since 'Napster has *actual* knowledge that *specific* infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material': at F 3d 1022; IPR 245. Similarly, in *Perfect 10 Inc v Amazon.com Inc* (2007) 508 F 3d 1146, Google Inc was potentially liable if its search engine directed users to infringing websites, making available the plaintiff's images in breach of copyright. 'Google could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10's copyrighted works, and failed to take such steps': at 1172. 'Intent' that infringements occur could be imputed from the knowledge of past infringements and failure to take simple steps. Contrast *Perfect 10 Inc v Visa International Services Association* (2007) 494 F 3d 788 at 796–800, finding that a credit card payment systems provider could not be held liable, even if possessing the same knowledge, since its conduct was not a materially contributing factor to infringement. The two cases are difficult to distinguish other than on the basis of policy distinctions: see M Bartholomew and P F McArdle, 'Causing Infringement' (2011) 64 *Vand LR* 675 at 710–11.

28 *L'Oréal SA v eBay International AG* (2009) 81 IPR 135; [2009] ETMR 53; [2009] All ER (D) 169 (Jun); [2009] EWHC 1094.

29 Ibid, at [382], [360]–[381] per Arnold J. This was because only some of the activities by sellers using the website were infringing conduct. A similar outcome was reached in the United States in *Tiffany (NJ) Inc v eBay Inc* (2010) 600 F 3d 93, affirming *Tiffany Inc v eBay Inc* (2008) 576 F Supp 2d 463. Notice by the claimant, Tiffany Inc, that infringements were occurring was not sufficient, since it merely informed the defendant of Tiffany's belief that infringing conduct was occurring; it did not prove knowledge of specific infringements by specific sellers: at F Supp 515. General knowledge that some infringements might be occurring was not sufficient: at F 3d 107, 114. Significant here was the lack of control by eBay over the infringing conduct and that eBay had taken major steps to uncover fraud and prevent it.

involving an operator of a real-life market.³⁰

These cases suggest that where A's conduct is targeted towards facilitating infringement and has no plausible, legitimate purpose other than to encourage unlawful conduct at large, then A may be liable even absent precise knowledge as to the circumstances of the infringements. Liability may be justified because infringements are inevitable or highly likely. Absent inevitable or highly likely infringements, however, it is difficult to justify liability where A does not have knowledge of specific wrongs and specific primary wrongdoers.

B Common design

The alternative means of finding accessory liability as a joint tortfeasor is on the basis of a common design. The elements of a common design were stated by Lord Neuberger in the recent *Sea Shepherd* case (not concerning IP infringements): a party must, first, 'have assisted the commission of an act by the primary tortfeasor; secondly, pursuant to a common design [with that person] that the act be committed; and, thirdly, the act must constitute a tort against the claimant'.³¹ The cases do not give much guidance, however, as to what constitutes the critical second element, 'common design' and in particular, what is needed, in terms of conduct, to establish a tacit agreement in the absence of an express one. In other words, the requisite knowledge or mental state of A that justifies a finding of common design is even less obvious than for procurement. It is probably sufficient if A knows that a specific tortfeasor (or a class of tortfeasor) is committing or intends to commit specific types of acts (that prove tortious) (though such precise knowledge is not always necessary).³² It is not necessary, however, that the tortious acts be certain to follow; for example, if a primary wrongdoer was prepared to use tortious means only in some circumstances, or such means were inevitable only in certain eventualities.³³

The only thing one can say with some certainty is that in applying common design, the courts have insisted on a close link between the primary infringing acts and the alleged accessory's conduct. Some cases have expressed this connection restrictively in terms of the 'accessory' making the primary infringing acts 'his' own.³⁴ For example, in *Football Dataco Ltd v Sportradar GmbH*,³⁵ the defendant made internet links available to customers that

30 *Louis Vuitton Malletier SA v Toea Pty Ltd* (2006) 156 FCR 158; 237 ALR 118; [2006] FCA 1443; BC200608929 (counterfeit goods sold by stallholders).

31 *Sea Shepherd* [2015] AC 1229; [2015] 4 All ER 247; [2015] 2 WLR 694; [2015] UKSC 10 at [55]; and see at [37] per Lord Sumption.

32 See, *ibid*, at [60] per Lord Neuberger: claimant does not need to show 'that the defendant knew that a specific act harming a specific defendant was intended'. Compare Beatson LJ in the Court of Appeal *Fish & Fish Ltd v Sea Shepherd UK* [2013] All ER (D) 191 (May); [2013] 3 All ER 867; [2013] 1 WLR 3700; [2013] EWCA Civ 544 at [44]: a must have 'actual knowledge of the intent [by PW] to commit the specific tort' in order to be liable.

33 See *Sea Shepherd*, *ibid*, at [27], [48].

34 For example, *Sabaf SpA v MFI Furniture Centres Ltd* [2002] All ER (D) 160 (Jul); [2003] RPC 264; [2002] EWCA Civ 976 at [59] (*Sabaf*), Gibson, Parker and Longmore LJ: 'the joint tortfeasor has been so involved in the commission of the tort as to make himself liable for the tort [and] made the infringing act his own'.

35 [2012] EWHC 1185 (Ch). This test was applied because the parties to the case 'focused on the way the test was put' (at [79]) in *Sabaf*, *ibid*.

directed them to infringing databases that they were encouraged to use. It was held that the service was provided ‘in pursuance of a common design with their customers ... [such that the service providers] adopt the acts of extraction which their customers will perform and make them their own’.³⁶ The ‘make the infringing act “their” own’ formulation appears conclusory; and as an explanation of the required connection between the primary infringing acts and the alleged accessory’s conduct has rightly been criticised as ‘ultimately circular’.³⁷ It has been said that the ‘common design’ test is ‘rather more helpful’.³⁸

The courts have generally refused to find accessory liability where a party merely sells materials to others that are then used by them to infringe trademarks or patents. For example, a manufacturer who sells goods in one jurisdiction, subject to trademarks held by a claimant, C, in another jurisdiction, is not liable for the offering for sale of those goods on the internet by the purchasers, even in C’s jurisdiction (whether for trademark infringement or, potentially, passing off). In order to be liable, the manufacturer must knowingly equip or intend to equip any purchaser with an ‘instrument’ or ‘badge’ of fraud or deception.³⁹ The fact that C has informed the manufacturer that infringing sales are taking place does not convert lawful conduct into unlawful conduct.⁴⁰

Similarly, a vendor who sells goods that are then imported into a jurisdiction where they infringe patents is not generally liable. Some decisions are based on the fact that a seller can legitimately be indifferent to how the purchased materials are used. For example, in *Sabaf SpA v MFI Furniture Centres Ltd*⁴¹ it was held that selling goods to a purchaser who resells in another jurisdiction in infringement of a patent does not amount to ‘joint tortfeasance’, even where the seller arranges for carriage of the goods to that jurisdiction. The purchaser ‘was free to do what it wanted with the goods’ and the seller is entitled to supply such goods outside of the jurisdiction in which the patent is held even where it knows that the purchaser *is intending* to use the product so as to infringe,⁴² for example, where it intends to import them into that jurisdiction.⁴³ Otherwise, the geographic limits of the monopoly would not be maintained.

A related situation arises in cases concerning sellers of goods that are able

36 *Football Dataco Ltd v Sportradar GmbH*, *ibid*, at [84] per Floyd J. The case appears to have been decided on the basis of both procurement and common design, though this is not entirely clear.

37 *Sea Shepherd* [2015] AC 1229; [2015] 4 All ER 247; [2015] 2 WLR 694; [2015] UKSC 10 at [59] per Lord Neuberger; cf at [24] per Lord Toulson (‘make the tort “his” own’ not separate test, but merely underlying concept that A has combined with others).

38 See *Fabio Perini SpA v LPC Group Plc* [2010] EWCA Civ 525 at [104], [105] per Lord Neuberger MR (Hughes and Jackson LJJ agreeing).

39 *Ward Group Pty Ltd v Brodie & Stone Plc* (2005) 143 FCR 479; 215 ALR 716; [2005] FCA 471; BC200502311 at [61]. See also *Cadbury Ltd v Ulmer GmbH* [1998] FSR 385, regarding trademarks and the tort of passing off.

40 *Ward Group Pty Ltd v Brodie and Stone Plc*, *ibid*, at [62].

41 [2002] All ER (D) 160 (Jul); [2003] RPC 264; [2002] EWCA Civ 976.

42 *Ibid*, at [58].

43 *Generics (UK) Ltd v H Lundbeck A/S* [2006] EWCA Civ 126; *Fabio Perini SpA v LPC Group Plc* [2010] EWCA Civ 525.

to be used as part of a patented combination of products.⁴⁴ The cases have held that defendant suppliers who have not supplied a whole combination⁴⁵ are not liable. It matters not that ‘the manufacturer or vendor knows perfectly well that the separate elements are destined eventually to be combined so as to constitute an infringement’,⁴⁶ unless the supplier has merely omitted some link that the purchaser ‘can easily furnish’.⁴⁷ Dixon J summarised the position in *Walker v Alemite Corporation*, citing substantial English authority, as follows:

[I]t is settled law that the exclusive property in a combination invention is not infringed upon by the sale of the components ... that selling articles to persons to be used for the purpose of infringing a patent is not an infringement of the patent ... and that sale with a knowledge that the purchaser will use the articles for infringement is not itself an infringement ... the vendor must have made himself a party to the act of infringement.⁴⁸

Importantly, these principles in the patent cases are based on sui generis policy reasons that support a narrower and more restrictive accessory liability than might otherwise be justified.⁴⁹ According to Dixon J, this ‘narrow ... view’ as to what ‘constitutes participation’ is based on the policy that if a sold item is not itself subject to patent, then it can be lawfully sold for whatever purpose it may be used by the purchaser: ‘whatever is not included in the monopoly granted is *publici juris* and may be freely used as of common right’.⁵⁰

IV Competing policies in IP accessory law

To summarise thus far; tort law accessory principles have been sought to be used to ‘enhance’ the protection of IP rights by providing a further avenue of

44 Similar principles apply in relation to patented processes or methods. See, eg, *Fabio Perini SPA v LPC Group Plc*, *ibid*: a defendant is not an accessory for merely selling and installing machinery that is used in infringement of a patented *method* to operate the machinery by the purchaser, even if it knows some infringement will take place. If the seller goes further, however, for example, by ensuring that the machinery runs using the particular method, and trains staff as to its continued use, then the seller is liable as a joint infringer. See at [102]–[109].

45 If they have supplied the combination in components or as a kit, then there will be liability if there is no other use to which it can be put or if it is supplied with assembly instructions: see, eg, obiter comments in *Great Western Corporation Pty Ltd v Grove Hill Pty Ltd* [2001] FCA 423; BC200101664 at [30], approved *Grove Hill Pty Ltd v Great Western Corporation Pty Ltd* (2002) 55 IPR 257; AIPC 91-810; [2002] FCAFC 183; BC200203160 at [334].

46 Dixon J in *Walker v Alemite Corporation* (1933) 49 CLR 643 at 657 (McTiernan J concurring); BC3300010, quoting *Terrell on Patents*, 7th ed, p 761.

47 *Ramsel Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 164 ALR 239; 44 IPR 481; [1999] FCA 898; BC9903689 at [41].

48 *Walker v Alemite Corporation* (1933) 49 CLR 643 at 657–8; BC3300010, references to cases omitted.

49 Compare the situation where a person sells a gun to a known armed robber who, prior to the sale, informed the seller of his or her intention to use the gun to commit a robbery and shoot any guards. Whether the seller would be liable in tort law for the personal injuries caused by the gun is rejected in obiter comments in the case law, but remains an open question in Anglo-Australian tort law (see Dietrich and Ridge, above n 1, at [5.4.1.1]), but in my view, clearly such a seller ought to be liable.

50 *Walker v Alemite Corporation* (1933) 49 CLR 643 at 658; BC3300010. This was cited with approval by Crennan J in *Northern Territory v Collins* (2008) 235 CLR 619; 249 ALR 621; [2008] HCA 49; BC200808986 at [104].

redress to rights holders, especially where it may be impractical to pursue individual primary infringers. However, successful claims have been relatively rare. The restrictive outcomes are the result of a combination of factors. These include: the rejection of liability for mere assistance;⁵¹ the need to meet a rigorous knowledge requirement, generally requiring quite specific knowledge about infringements that may result from an alleged accessory's conduct such that it is almost necessary to show an intention that primary infringements occur; as well as underlying policy concerns against expanding, by non-legislative means, the rights that are protected. This (justifiably restrictive interpretation and application of the law by the courts has led, ironically, to a legislative broadening of liability in the IP context, for example, specifically in the patents context via 'contributory infringement' provisions,⁵² as well as constantly evolving, complex legislative developments in copyright law.⁵³ This suggests that any appropriate policy balance is probably best achieved via legislation.

Putting legislation aside, however, the question that also needs to be addressed is whether the deterrence rationale of accessory liability might conceivably justify broader, more readily-established liability? Or do countervailing policy reasons militate against expanding liability? It must be noted here that a major focus of IP right holders is not on deterring the *use* of protected materials, but deterring such use without users paying for it. That emphasis immediately suggests a tension with accessory principles when applied more widely in other contexts, where the focus is on deterring wrongful conduct altogether by providing remedies for past infringements that have occurred. In that light, it is worthwhile to step back and consider the broader policy context and whether the tool of a wrongs-based accessory liability regime can appropriately achieve a fair balance between the interests of rights-holders seeking more expansive liability, and the various interests of third party 'intermediaries' to infringements committed by others. Such interests may include rights to free speech, privacy, freedom of commercial

51 One negative consequence of the justifiably policy concerns that support a restrictive approach to liability is that the reasoning in the cases, focussed on the rejection of liability for 'mere' assistance, has impacted on the understanding of accessory liability principles in tort law more generally.

52 See, eg, Crennan J in *Northern Territory v Collins* (2008) 235 CLR 619; 249 ALR 621; [2008] HCA 49; BC200808986 at [103]–[104]: 'The limitations of the common law position ... [meant that the] legislatures of Australia ... and the United Kingdom ... considered it necessary to intervene'; and M J Davison, A L Monotti and L Wiseman, *Australian Intellectual Property Law*, 2nd ed, Cambridge University Press, 2012, p 569, at [15.5.7]: 'The uncertain boundaries of tortious accessory liability for infringement combined with its limitations were catalysts for enacting statutory liability for contributory infringement'.

53 Detailed and specially targeted legislative schemes have been introduced that seek to regulate the digital communication industry, eg, by involving internet services providers (ISPs) in processes aimed to 'prevent or deter' unlicensed peer-to-peer file sharing. See, eg, Digital Economy Act 2010 (UK), considered in K Garnett, G Davies and G Harbottle, *Copinger and Skone James on Copyright*, 16th ed, Sweet and Maxwell, 2011, vol 1, pp 1217–47, at [21–288]–[21–367] (quote from p 1217). This includes requiring ISPs to enact 'graduated responses' against customers using internet services to infringe. See, eg, R Giblin, 'Evaluating Graduated Responses' (2014) 37 *Colum JL & The Arts* 147. See also the detailed rules on IP infringement and enforcement contained in EU law, such as the Electronic Commerce Directive and Trade Marks Directive.

transactions, and encouraging technological innovation. It should be noted that much of the discussion of the policy context has occurred in the United States, where what we call accessory liability for IP infringement is encompassed by the generic concept of ‘contributory infringement’ (or indirect infringement) derived from common law principles. Nonetheless, commentary on the broader policy context is equally applicable to Anglo-Australian law.

It must be remembered that accessory liability is a fault-based liability regime, based on a party’s wrongful involvement in another’s primary wrong, and is therefore a narrowly framed basis for liability. The goals of deterring primary infringement and vindicating rights face serious challenges in IP law if third parties are only liable on the basis of such narrowly confine accessory liability rules. In part, these challenges come from technological innovations, particularly on the internet, that enable widespread and repeated infringements of rights by numerous individual infringers (such as mass copying of copyrighted materials or worldwide marketing of trademark infringing goods). It may be practically impossible to deter such infringements or remedy their consequences by pursuing individual primary infringers.⁵⁴

In the context of IP infringements, the deterrence idea is sometimes expressed by reference to ‘gatekeepers’. Particularly from the perspectives of IP right holders, it may be desirable to require some ‘intermediaries’ (such as ISPs) to act as ‘gatekeepers’.⁵⁵ Gatekeepers may in part be identified on economic efficiency grounds, ‘based on who is in the best position to prevent the harm in question’, such that the question of liability is treated as partly one of ‘cost allocation’.⁵⁶ Economic efficiency grounds reflect the protection and deterrence rationales, rather than being a distinct rationale for liability.⁵⁷ A gatekeeper who is in the best position to prevent infringements (that is, use without payment) may be able to deter future infringements, and if it fails to do so, may also be the most cost-efficient defendant.

However, economic efficiency arguments do not of themselves alone justify liability. Although on the one hand, some persons may be well-placed to detect and deter misconduct, on the other hand, doing so imposes business costs and, clearly, imposing liability is less desirable if it substantially interferes with legitimate activity.⁵⁸ As Landes and Posner have noted, whether liability in a given case should be imposed on grounds of promoting economic welfare

54 As a consequence, the values of IP proprietary interests are potentially significantly diminished.

55 See generally, R Kraakman, ‘Gatekeepers: The Anatomy of a Third-Party Enforcement Strategy’ (1986) 2 *Journal of Law, Economics and Organisation* 53.

56 K Weckström, ‘Liability for Trademark Infringement for Internet Providers’ (2012) 16 *Marq Intell Prop L Rev* 1 at 39. See also *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* (2005) 64 IPR 645 at 652; 545 US 913 at 929–30, the point noted above. For economic analysis of the liability of intermediaries in the IP context, particularly focusing on internet-related issues, see, eg, D Lichtman and W Landes, ‘Indirect Liability for Copyright Infringement: An Economic Perspective’ (2003) 16 *Harv JL & Tech* 395; D Lichtman and E Posner, ‘Holding Internet Service Providers Accountable’ (2006) 14 *Sup Ct Econ Rev* 221; and J Zittrain, ‘A History of Online Gatekeeping’ (2006) 19 *Harv JL & Tech* 253.

57 The economic efficiency language of who is the ‘cheapest cost avoider’ (M Richardson, ‘Why Policy Matters: *Google Inc v Australian Competition and Consumer Commission*’ (2012) 34 *SLR* 587 at 592) covers both deterrence and protection.

58 See R Burrell and K Weatherall, ‘Before the High Court: Providing Services to Copyright Infringers: *Roadshow Films Pty Ltd v iiNet Ltd*’ (2011) 33 *SLR* 801 at 829–30.

involves difficult balancing questions that may be impossible to answer.⁵⁹ Further, any liability justified by efficiency may be disproportionate to the degree of culpability.

Economic efficiency arguments may therefore support widening the meaning of culpable conduct. Taken too far, however, attaching liability to conduct that can no longer realistically be considered wrongful means that such liability becomes less accessorial and is more likely to be driven by policy rather than a fault-based rationale.⁶⁰ Since IP right holders' interests are only one of many competing interests that need to be balanced,⁶¹ there need to be strong policy reasons to impose 'gatekeeper' duties on persons, at least in the absence of clearly culpable conduct on their part.

The competing interests at stake have created tensions in the law. To the extent that established doctrines (concerned with identifying accessories to infringements that *have* occurred) are used to meet the legal challenges posed by modern technologies, the case law evidences the ongoing tensions created by competing interests and values. For example, in *Roadshow* in the copyright context (admittedly, concerning the statutory concept of authorisation), Gummow and Hayne JJ noted that the potential to seek relief against a 'secondary' infringer enhances the means by which copyright owners can protect their rights, perhaps even lowering the costs of prevention.⁶² By way of contrast, French CJ, Crennan and Kiefel JJ in the same case stated that the decision that no authorisation had occurred, 'shows that the concept and the principles of ... authorisation ... are not readily suited to enforcing the rights of copyright owners in respect of widespread infringements occasioned by peer-to-peer file sharing'.⁶³

Other examples of tension are provided by Anjanette Raymond, who argues that recent decisions of the courts in the United Kingdom and the European Union⁶⁴ have expanded liability for intermediaries and thereby shifted the burden of protecting rights from right holders onto both ISPs and right holders as a shared burden. Raymond argues that the parameters of this shared burden

59 W Landes and E Posner, *The Economic Structure of Intellectual Property Law*, Harvard University Press, 2003, pp 119–21.

60 Richardson, above n 57, at 593–4, commenting in the context of statutory liability, suggests that courts in Australia have resisted a wide accessorial regime aimed at making certain parties gatekeepers, but that in some jurisdictions, expanding liability may be based on a broader policy of discouraging infringement.

61 See Weckström, above n 56, arguing that it is not efficient or justifiable to hold internet intermediaries liable for trademark infringements facilitated by internet technology. See also A H Raymond, 'Intermediaries' Precarious Balance Within Europe: Oddly Placed Cooperative Burdens in the Online World' (2013) 11 *Nw J Tech & Intell Prop* 359 and A H Raymond, 'Heavyweight Bots in the Clouds: The Wrong Incentives and Poorly Crafted Balances That Lead to the Blocking of Information Online' (2013) 11 *Nw J Tech & Intell Prop* 473, on the difficulties of balancing the competing interests in the internet context.

62 See *Roadshow* (2012) 248 CLR 42; [2012] HCA 16; BC201202230 at [110] quoted above n 3.

63 Ibid, at [79].

64 Raymond, above n 61, discussing the European Court of Justice's decision in *Scarlett Extended SA v SABAM* Case C-70/10 2011 ECR-I 0000, and the UK cases, *Newzbin* [2010] All ER (D) 43 (Apr); [2010] FSR 512; [2010] EWHC 608 (Ch), and *Twentieth Century Fox Film Corp v British Telecommunications Plc* [2011] All ER (D) 275 (Jul); [2011] EWHC 1981 (Ch).

are uncertain and that achieving the right balance is difficult, given the competing interests. The expanding liability that Raymond notes is partly a result of the application of existing accessory liability rules, and partly a result of legislative provisions having a prophylactic purpose of preventing infringement. Thus far, it should be noted, such legislative schemes do not generally impact on liability for past infringements.⁶⁵

For present purposes, it should be noted that this fault-based liability has been expanding.⁶⁶ Almost certainly, economic efficiency rationales in part underlie the expansion of liability.⁶⁷ The effect of these rules may be to require intermediaries such as ISPs to undertake a gatekeeper role in order to curb infringements, but the tensions created by competing policy factors may explain why US law has been described as “uncertain”, “contradictory” and “incoherent”.⁶⁸

V Conclusion

Accessory liability works well enough where a party contributes to a specific primary infringement committed by an individual infringer. However, it is probably fair to conclude that fault-based accessory liability may not be adequate for the task of meeting the many challenges posed by widespread, mass IP infringements facilitated by the internet or other modern (or not so modern) technologies, at least from the perspectives of rights holders. Accessory liability is difficult to establish and therefore may not be an adequate means of providing redress against intermediaries whose conduct facilitates such infringements. Accessory liability has, largely, failed to deter such infringements. However, and in any case, it is probably inappropriate for non-legislative common law principles to be used to expand intermediaries' liabilities. Accessory liability, as understood at common law, has a useful and important role to perform in imposing responsibility for clearly culpable and

65 Even where EU provisions apply, it was noted in *L'Oréal SA v eBay International AG* (2009) 81 IPR 135; [2009] ETMR 53; [2009] All ER (D) 169 (Jun); [2009] EWHC 1094 at [344] that the question of accessory liability for past infringements is still primarily a matter for national law.

66 The same tensions are particularly evident in the US in case law applying the generic concept of 'contributory infringement' (or indirect infringement) derived from common law principles. This broad concept has been applied across patents, copyright and trademarks law, though it has developed differently in each of those areas. C A Adams, 'Indirect Infringement from a Tort Law Perspective' (2008) 42 *U Rich LR* 635. In patents law, where accessory liability rules are found in statute, 'indirect' (or inducing) and 'contributory' infringement are distinct concepts. The Patent Act, 35 USC §271(b)–(c) divides liability into two heads, for contributory infringement of a seller of materials (para (c)) and for inducing infringement (para (b)). Outside the patents context, varying usage by courts and commentators means that it is not entirely clear whether 'indirect' or 'inducing' infringement is a subset of, a synonym for, or a separate-but-related head of liability to, contributory infringement. See, eg, Bartholomew and McArdle, above n 27, at 689–90, who characterise inducement as a type of contributory infringement, though other commentators make a division between inducing and contributory infringement, consistently with the patent statutory scheme.

67 Even where liability is denied, economic efficiency reasons may be influential. See Bartholomew and McArdle, *ibid*, at 679, 711–12, discussing *Tiffany Inc v eBay Inc* (2008) 576 F Supp 2d 463.

68 See Bartholomew and McArdle, *ibid*, at 678, citing various scholars.

targeted conduct that facilitates primary wrongdoing. If extended beyond such conduct, however, liability could be dangerously wide and would not necessarily be 'accessorial'. Nor can accessory liability, whether extended beyond culpable conduct or not, take into account other competing interests such as free speech, privacy, freedom of commercial transactions, and not stifling technological innovation. Ultimately, balancing those competing interests almost certainly requires political decision-making and therefore legislation, including legislation that considers the responsibilities of (non-accessorial) third parties more broadly.