

Standards of Liability for Infringement of Intellectual Property Rights

Peter Cane
Christ's College and ANU

Conference organisers' provocation

IP law was, for much of the 20th century, thought of as a body of strict liability torts. In recent years, knowledge and intent have assumed an increasingly prominent role. How is this development best understood?

Organisers' hypothesized explanations

1. 'pure coincidence'
2. response to 'free-riding' (reaping without sowing, regardless of harm)
3. collapse of distinction between primary and secondary/ancillary liability (leakage of fault from the latter to the former?)
- *4. influence of shift to fault in *the main body of tort law* (has such a shift taken place?)
- *5. discomfort with proprietising the relevant interests (what is the significance of the property label?)
- *6. recognition of social value of allegedly infringing conduct (a distributive issue)
7. influence of human-rights thinking (some concept of proportionality?)
8. influence of and pressure for harmonisation with other legal systems (at the doctrinal level?)
9. jurisdiction-shaping (CJEU) (legal fiction?)

Doctrinal starting point of IP law

- (a) 'Strict liability' for infringement of IP rights: liability for 'wrongful' ('infringing') conduct *regardless/independently of* 'fault'. Proof of fault not required for *primary* liability; but (i) may be required to establish, for instance, secondary liability, or entitlement to a particular remedy for primary infringement, and (ii) may be relevant, eg to proof of likelihood of confusion in trademark law.
- (b) Three doctrinal analogies are used in the IP primary and secondary literature to make sense of this position: tort, property and statute. Do these analogies help us understand the onward march of fault?

Theory: the tort analogy

1. The history of tort as a legal category

- (a) The 19th-century procedural reforms; Holmes and Pollock
- (b) Non-statutory IP
 - (i) Goodwill – passing off
 - (ii) Commercial reputation – malicious falsehood
 - (iii) Trade secrets – common law or equity?
- (c) tort or torts; IP or IP rights?

2. The history of IP as a legal category (according to Sherman and Bently)

- (a) The three ages of IP law
 - (i) 'Pre-modern' (16th-18th centuries) (common law)
Underlying idea: labour and property: the product of mental/creative labour, unlike that of physical/non-creative labour, is the property of the labourer.
 - (ii) 'Modern' (19th century)

- focus on output (the product, physical form) rather than input (mental labour, creativity), manifestation rather than substance, ‘medium rather than message’ (cf torts protecting goodwill and (commercial) reputation?);
 - the products:
 - Designs: form, aesthetics
 - Patents: function, utility
 - Copyright (contrast copy-rights): literature and arts (vs commerce and industry: patents and designs)
 - Trademarks: investment regardless of creativity
 - abstract and generative rather than industry-specific and reactive;
 - public, technical, ‘neutral’, administrative modes of defining and identifying registrable IP (contrast evaluative, judicial modes of defining and identifying other forms of property).
- (iii) Contemporary
- registered or not?
 - nature, incidents and degree of protection (including standard of liability for infringement).
 - ‘pre-modern’ law
 - quantity of mental labour
 - quality of mental labour: discovery (protection of *ideas/message*: patents) vs protection of *expression/medium*: copyright, trademarks, designs)
 - contemporary (and ‘modern’) law: socio-economic value/utility of the product; balancing of interests of creator, infringer and public.

3. Tort and IP

(a) Tort law rests on two basic principles: ‘respect rights’ and ‘do not harm’. These principles overlap because rights can be harmed as well as disrespected. But harming is only one mode of disrespecting. Like tort law generally, IP law contains both principles.

(b) Fault elements can figure in two ways: regarding liability-or-no, either as part of the definition of a right or as a condition of liability for harm; and as a condition of availability of particular remedies.

(c) Liability issues

(i) Protected interest

(ii) Conduct

- faulty: intentional, reckless, negligent
- ‘wrongful regardless of fault’

(iii) Wrongfulness

- Infringement (regardless of benefit to D or harm to C) (‘respect rights’)
- Causation of harm (‘do not harm’)

(d) Remedies

(i) Non-monetary

(ii) Monetary

- Nominal
- Restorative (not available in tort)
- Compensatory
- Disgorging
- Punitive

(iii) Relationship to conduct

(e) A shift to fault in tort law?

- (i) liability determination by juries
- (ii) practical dominance of ‘do not harm’ principle

Theory: the property analogy

- (a) Tangible vs intangible property: how important is the difference?
 - (b) Property vs obligation; owning vs being owed: a misleading dichotomy because property interests can be protected by obligations.
 - (c) common law vs equity: does this distinction cast a shadow over IP law?
 - (d) The non-statutory IP torts
 - (i) Passing-off (protecting commercial goodwill; cf nuisance)
 - (ii) Injurious falsehood (protecting commercial reputation; cf defamation)
 - (iii) Breach of confidence (protecting (commercial) secrets)
- are based on a mixture of property and obligation ideas.

Theory: the statutory analogy

- (a) Distinguish a ‘statutory tort’ from the tort of breach of statutory duty (a non-statutory tort)? What is a statutory tort strictly so called?
- (b) General tort principle does not distinguish between statutory and non-statutory torts. The courts and the legislature can both create torts.

Application: Warner-Lambert ([2018] UKSC 56)

1. Facts

Suppose:

- (a) C has a patent for ‘use of compound X in the manufacture of a medicament *for* the treatment of indication A’). Patent expires opening market to generic manufacturers. New (‘Swiss-style process’) patent awarded to C for use of the same process to manufacture drug for condition B. One process, two uses; one use patented, the other not.
- (b) Pharmacist E, without knowing for which use it has been prescribed, dispenses generic drug, manufactured by D using the patented process, which has been prescribed for use B.
- (c) Section 60(1)(c): it is an infringement to dispose of any product obtained by infringing use of the patented process. Two infringements, two infringers. Second infringement (disposal of drug) ancillary to the first (using the manufacturing process).
- (d) Given the way the market for the supply of drugs works, it is *inevitable* (and foreseeable) that the generic drug will leak to some extent into the market for the patented drug (‘whatever precautions are taken’: Lord Briggs at [156]).

2. Issue

Did D (the generic manufacturer) infringe C’s Swiss-style process patent?

3. Judicial starting-points

- (a) Patent infringement is a statutory tort: so what?
- (b) Liability [under s 60(1)(c)] for second infringement is ‘strict’: E can infringe regardless of intent that the drug be used for purpose B, or recklessness or negligence as to its use for that purpose. Disposing of infringing products is a ‘wrong’, regardless of fault.
- (c) Under s 60(1)(b) liability for the first infringement will arise where the generic manufacturer who ‘uses’ the process knows (‘foresees’), or where it would be obvious to a reasonable person (‘foreseeable’), that use of the patented process without consent would be an infringement.
- (d) *critically*, ‘in section 60, phrases about using the process...need to be understood and applied by reference to the claim...in the patent alleged to be infringed’ (Lord Sumption at [62]). The relevant patent claim in this case was in the form ‘use of process X *for purpose* Y’.

So 'use the process' in s 60(1)(b) must be read as 'use the patented process to manufacture drugs *for the patented use*'.

(e) NOTE the statutory design: fault liability for direct infringement of process patent coupled with strict liability for ancillary infringement of process patent by supplying. Cf manufacturer and distributor under product liability legislation.

4. Issue reformulated

Did D (the generic manufacturer) use the patented process for the patented use?

Mens Rea in Tort Law

1. Liability and remedy: the standard of liability and the standards that attract specific remedies may be different.

2. Liability covers both conduct and consequences. Distinguish between intrinsic and extrinsic consequences of conduct (cf trespass to land, conversion; Wendy Gordon).

2. The standards

(a) Fault

(i) Two aspects of fault

- fault as to conduct – 'deliberation' vs automaticity vs involuntariness
- fault as to consequences of conduct: purpose/aim, knowledge/ foresight, foreseeability.

(ii) Distinguish fault from motive/reason (eg 'malice', 'bad faith').

(iii) Intent: aiming at consequences (regardless of motive)

(iv) Recklessness: risk-taking in face of known consequences (regardless of intent as to consequences)

(v) Negligence

- conduct: failure to take reasonable care against (regardless of deliberation)
- consequences: foreseeable risks of harm (whether or not aimed at or foreseen)

(b) Regardless of fault: wrongfulness of conduct regardless of intent, recklessness or negligence.

Mens Rea in IP Law in the light of Warner-Lambert: Tests of 'Acting for a Purpose'

(a) The issue was treated as going to liability, not remedy. However, 'The search here is not for the requisite *intent* in a tort at all' (Lord Briggs at [147]), but for the proper interpretation of the patent – a *mental element* is 'intrinsic to the claim of infringement' of a Swiss-style patent (Lord Sumption at [67]). But so what?

(b) Options considered:

(i) manufacture with the aim of causing leakage.

(ii) manufacturing despite foreseeable risk of leakage.

(iii) manufacturing without taking reasonable precautions against foreseeable risk of leakage.

(iv) failure of the 'outward presentation' of the product to guard against leakage.

(c) (Potentially conflicting) criteria of choice (do these apply in some form to every IP right?).

(i) fair protection of the patentee (IP owner)

(ii) fair protection of the generic manufacturer (putative IP infringer)

(iii) protection of public interest in 'affordable' drugs

(iii) 'certainty' (and fairness: Lord Mance) for TPs such as distributors and suppliers

[(iv) clinical autonomy (Sumption and Reed)]

(d) *Obiter* opinions (strength or weakness?)

(i) Lords Sumption and Reed: outward presentation (regardless of D's intent or knowledge).

- (ii) Lord Briggs: intent (as proved by outward presentation and D's 'mental state', otherwise established).
- (iii) Lord Hodge: agrees with Lord Briggs on basis his approach is 'fairer'. Leave it to legislature to protect TPs.
- (iv) Lord Mance: outward presentation with burden of persuasion on D.

Some unresolved issues

1. False equation of intent and mental element? Or is 'intent' used to include recklessness?
2. Neither foreseeability nor negligence involves a mental state; nor does the 'outward presentation' test. So how can any of these satisfy the 'intrinsic' requirement of a mental element?
3. How can 'subjective' mental states (intent or knowledge) be proved? Can 'objective evidence' prove a subjective mental state? Do intent and knowledge actually depend on the nature of the consequences?
4. Is 'outward presentation' effectively a fault standard – reasonable care? (cf 'defect' in product liability)
5. What is the relevance of D's fault to the interests of third parties? Lord Briggs ([144]) citing Lord Sumption in *Fish v Sea Shepherd*: 'Intent in the law of tort is commonly relevant as a control mechanism'. Cf Fleming's famous thesis that the duty of care is a control device.
6. More generally: what is the relationship between fault and fairness? Is fault an independent requirement or subsidiary to fairness? Is fault a requirement of corrective justice or of distributive justice?
7. When is fairness to TPs a matter for the legislature and when may the court weigh in?
8. What is the relevance of evidence about the law in other jurisdictions?