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Case Comment

# EMPLOYER'S LIABILITY FOR COPYRIGHT INFRINGEMENT AND THE ASSESSMENT OF DAMAGES

*Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50

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## I. Introduction

1 The recent High Court decision of *Siemens Industry Software Inc v Inzign Pte Ltd*[1] ("*Siemens*") was handed down on 1 March 2023 by Dedar Singh Gill J. In *Siemens*, Siemens Industry Software Inc (the "Plaintiff"), had commenced an action against Inzign Pte Ltd (the "Defendant") for, *inter alia*, primary and vicarious liability for copyright infringement arising from acts committed by the defendant's employee.

1 [2023] SGHC 50.

2 Gill J's decision in *Siemens* is significant as it addresses several novel legal issues of Singapore copyright law, including:[2]

(a) whether the doctrine of vicarious liability in tort extends to copyright infringement;

(b) how damages may be quantified in a case of vicarious liability for copyright infringement; and

(c) whether additional damages should be awarded in such a case.

## II. Background

3 The Plaintiff, and its related company, Siemens Industry Software Pte Ltd, distribute and sublicence a software tilted "NX" (the "NX Software") to users in Singapore via local distributors and resellers.[3] The NX Software comprises modules of varying functionalities for computer-aided design, computer-aided manufacturing and computer-aided engineering.[4] To a large extent users are free to choose the licences that they purchase for the NX Software to include modules tailored specifically to their businesses (*eg*, licences which are perpetual (*ie*, for indefinite use) and floating (*ie*, for use across multiple devices) with the option to include maintenance costs (which allows for future updates to be obtained).[5] At the material time, the Defendant had licences for three modules of the NX Software.[6]

4 The Defendant had employed one Paing Win ("Win") as a machinist, whose role involved the operation of computer numerical control machines for fabricating industrial workpieces. The role required Win to use the licensed copies of the NX Software.[7]

2 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [19].
3 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [3].
4 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [3].
5 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [3] and [11].
6 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [4].
7 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [4].

5 Win desired to be more proficient in using the NX Software. Since each of the Defendant's licences could only be used by a single user at a time, Win, of his own volition, attempted to download and install an unauthorised full version of the NX Software on his personal computer to practice on the module relevant to his job scope. Win was unsuccessful in doing so as his personal computer lacked the technical specifications required to run the NX Software. He was also unable to install it on one of the Defendant's computers as he could not bypass the administrator controls that the Defendant had put in place.[8] Additionally, the Defendant had an anti-software piracy policy in place, which was not only set out in its employee handbook, but had also been brought to the attention of Win in the course of his employment through informal notices and formal documents.[9]

6 However, Win came across a laptop in the Defendant's toolroom and discovered that there were no administrator controls on the laptop. Win thus proceeded to download and install an unauthorised copy of NX Software on it and used the NX Software on at least 15 occasions between December 2020 and April 2021.[10]

7 Win's unauthorised use of the NX Software was subsequently discovered by the Plaintiff through an automatic reporting function built into the NX Software. The Plaintiff traced the unauthorised NX Software to an internet protocol address that corresponded to the Defendant.[11] Following unsuccessful attempts to resolve the matter amicably, the Plaintiff commenced proceedings against the Defendant.[12]

## III. Legal issues

8 In *Siemens*, it was not disputed that the unauthorised acts had been carried out by Win.[13] Accordingly, the main issue turned

8 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [5].
9 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [27].
10 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [6].
11 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [7].
12 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [8].
13 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [21].

on whether the Defendant was primarily and/or vicariously liable for its employee's acts of infringement and if so, the appropriate quantum of damages.

## *A. Primary and vicarious liability for copyright infringement*

9 The Plaintiff had premised its claims against the Defendant for liability as follows:[14]

> (a) primary liability based on (i) attribution of Win's act to the Defendant; and (ii) under the Copyright Act;[15] and
>
> (b) vicarious liability at common law.

10 On primary infringement, Gill J concluded that the Defendant was not primarily liable for copyright infringement as Win's infringing acts were not attributable to the Defendant and did not fall within the scope of any authority conferred upon him by the Defendant. Further, Gill J also held that the Defendant did not "*authorise*" Win's infringing acts under s 31(1) of the Copyright Act[16] as it did not possess any knowledge that the infringing acts had even occurred.[17]

11 While the Defendant was not liable for primary copyright infringement,[18] Gill J found it fair, just, and reasonable to hold the Defendant vicariously liable for Win's acts of copyright infringement.[19] Notably, prior to this decision, this issue had not been settled under Singapore law.[20]

12 Gill J held that the common law doctrine of vicarious liability extends to the statutory tort of copyright infringement. Gill J observed that the doctrine of vicarious liability is a form

14 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [20].
15 Cap 63, 2006 Rev Ed.
16 The Copyright Act (Cap 63, 2006 Rev Ed) was repealed when the Copyright Act 2021 (Act 22 of 2021) came into force on 21 November 2021 and s 146(1) of the Copyright Act 2021 is the equivalent of s 31(1) of the Copyright Act.
17 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [30].
18 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [31].
19 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [45].
20 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [32].

of secondary liability which holds a defendant liable for the wrongful acts of another even if the defendant has not been negligent at all: *Ng Huat Seng v Munib Mohammad Madni*[21] ("*Ng Huat Seng*") at [41].[22] In the present case, as vicarious liability may apply to any tortious misconduct, and since copyright infringement constitutes a statutory tort, it follows that copyright infringement should not be excluded from the applicability of the doctrine of vicarious liability.[23] Furthermore, drawing reference from authorities in the UK and Australia on this issue, Gill J observed that such a conclusion would be consistent with the position taken in those leading common law jurisdictions.[24] Accordingly, given that there was no express restriction in the Copyright Act, Gill J held that the doctrine of vicarious liability could be extended to copyright infringement.[25]

13 The legal test to be applied in determining whether vicarious liability should be imposed is a two-step inquiry (the "Two-Step Test") laid down by the Court of Appeal in *Ng Huat Seng* (at [66]–[67]):[26]

> (a) [t]here must be a special relationship between the tortfeasor and the defendant (the 'First Inquiry'); and
>
> (b) [t]here must be a sufficient connection between the defendant and the tortfeasor on the one hand, and the commission of the tort on the other (the 'Second Inquiry').

14 Gill J applied the Two-Step Test as follows:

> (a) First Inquiry: It was not disputed that there exists a special relationship between Win and the Defendant by virtue of his employment relationship with the Defendant and hence, the First Inquiry had been satisfied; and
>
> (b) Second Inquiry: Gill J held that there was a sufficient connection between the employment relationship of the Defendant and Win, and the commission of the copyright

21 [2017] 2 SLR 1074.
22 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [32].
23 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [32].
24 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [33]–[34].
25 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [35].
26 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [36].

infringement. In this regard, Gill J observed that the factors identified by the Court of Appeal in *Skandinaviska Enskilda Banken AB (Publ), Singapore Branch v Asia Pacific Breweries (Singapore) Pte Ltd*[27] ("*Skandinaviska*") were instructive for the assessment of the Second Inquiry and made the following findings:

> (i) The circumstances in which Win had been allowed to operate when performing his tasks afforded him the latitude and opportunity to commit the infringement.[28] In this regard, Gill J considered the Defendant's lax supervision of Win and the Defendant's mismanagement of the laptop by failing to ensure that it was properly secured.[29]
>
> (ii) The acts of infringement were committed in the context of Win's employment for the Defendant's benefit. While Gill J recognised that the Defendant already had the relevant software modules, he found that Win's intention to practise on the infringing copy of the NX Software was so that he could improve his performance at work – which would translate into increased productivity for the Defendant.[30]

15 The above was also supported by two policy considerations highlighted by the Court of Appeal in *Skandinaviska*: effective compensation and deterrence of future harm.[31] In this regard, Gill J opined that the Defendant would be best placed to compensate the victim, and that imposing vicarious liability on the Defendant would incentivise employers to take further steps to reduce the incidence of copyright infringement by their employees.[32]

27 [2011] 3 SLR 540 at [87].
28 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [38].
29 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [39].
30 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [40].
31 *Skandinaviska Enskilda Banken AB (Publ), Singapore Branch v Asia Pacific Breweries (Singapore) Pte Ltd* at [76].
32 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [43]–[44].

## *B. General damages*

16 Having found the Defendant vicariously liable for Win's act of copyright infringement, Gill J went on to consider the correct approach to be taken for determining the quantum of damages to be awarded in the present case.[33]

### *(1) Approach to determine the quantum of damages for copyright infringement*

17 Gill J affirmed that the following three approaches, which had been set out in *General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd*[34] ("*General Tire*"), may be adopted where appropriate in the assessment of damages for copyright infringement:[35]

> (a) the Loss of Profit Approach: "Where the plaintiff is in the business of selling products which incorporate the protected material, the appropriate measure of damages is the loss of profit suffered by the plaintiff";
>
> (b) the Established Licence Royalty Approach: "Where the plaintiff exploits the copyright through the granting of licences for royalty payments, the appropriate measure of damages is the sum which the infringer would have paid by royalty if the infringer had acted legally instead of illegally";
>
> (c) the Hypothetical Bargain Approach: "Where it is not possible to prove a normal rate of profit or an established licence royalty, the appropriate measure of damages is the price which, although no price was quoted, the plaintiff could have reasonably charged for the infringer to have used the copyright in a hypothetical bargain."

18 In the present case, Gill J found that only the Hypothetical Bargain Approach could be applicable since:[36]

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33 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [53].
34 [1975] 1 WLR 819.
35 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [53].
36 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [54].

(a) The Loss of Profit Approach could not apply as the Plaintiff did not adduce any evidence with respect to the profit it had gained from the sale of each module by its distributor or reseller to an end user.

(b) The Established Licence Royalty Approach could not be adopted as the Plaintiff had again not provided evidence on the prices of any actual licences granted by itself, or its distributors or resellers. The only evidence adduced by the Plaintiff was a price book ("Price Book"), which set out recommended list prices and only served as a reference to the Plaintiff's distributors and resellers.

19 Notably, this is the first time the Singapore courts have applied the Hypothetical Bargain Approach in quantifying the appropriate damages for copyright infringement.

### *(2) Application of the Hypothetical Bargain Approach*

20 Gill J observed that the Hypothetical Bargain Approach was founded upon the "user principle".[37] The "user principle" establishes that a person who has used another's property wrongfully without causing them any pecuniary loss could still be liable for more than mere nominal damages[38] and "is liable to pay, as damages, a reasonable sum for the wrongful use he has made of the other's property".[39] The principle is not limited to physical property and has been applied in relation to incorporeal property.[40] Indeed, Gill J found the utility of this principle as applied to cases involving intellectual property, as such property may be "used" by an infringer without affecting the condition or value of the property in its owner's hands.[41]

21 Gill J further reiterated the views of the House of Lords in *General Tire* and highlighted that the Hypothetical Bargain Approach is a "judicial estimation of the available indications",

37 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [55]. See also *Stoke-on-Trent City Council v W & J Wass Ltd* [1988] 1 WLR 1406 at 1416.
38 *Stoke-on-Trent City Council v W & J Wass Ltd* [1988] 1 WLR 1406 at 1416.
39 *Stoke-on-Trent City Council v W & J Wass Ltd* [1988] 1 WLR 1406 at 1416.
40 *Stoke-on-Trent City Council v W & J Wass Ltd* [1988] 1 WLR 1406 at 1416.
41 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [55].

and that "the true principle is for the court to consider what could have reasonably been charged for permission to use the right in question".[42]

22 Gill J then considered the following steps to ascertain what an appropriate quantum of damages to impose would be under the Hypothetical Bargain Approach.

### (a) Step 1: Extent of use and appropriate licence required

23 Preliminarily, Gill J found that the *extent of Win's use* of the infringing NX Software had to be determined, as an assessment of the benefit gained by the infringer (*ie*, Win) cannot be divorced from his use of the infringing software.[43]

24 Accordingly, based on the best judicial estimation of the available indications in this case, Gill J held that it stood to reason that Win had only used two modules in the NX Software – *ie*, the two modules which were already licensed by the Defendant and which were the only modules relevant to his job scope. The remaining modules in the NX Software would have been irrelevant to Win's job scope and thus unlikely to have been used by him.[44]

25 Next, Gill J considered what the appropriate hypothetical licence required for the infringing use would be. While Gill J accepted the Plaintiff's evidence that annual licences were not offered during the period of infringement, he rejected the Plaintiff's contention that a perpetual, floating licence, including maintenance, was the appropriate licence. Instead, Gill J found that a perpetual, node-locked licence, without maintenance cohered better since the infringing acts only (a) occurred on a single device (a node-locked licence would allow for this); and (b) involved one version of the NX Software (meaning that no updates had been utilised thereby rendering any licence for maintenance unnecessary).[45]

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42 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [55].
43 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [57].
44 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [60].
45 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [63].

26 Having determined the scope of the appropriate licence required, Gill J then proceeded to determine the quantum of licence fees payable for such a hypothetical licence.

### (b) Step 2: Quantum of licence fees

27 When determining the applicable licence fees, Gill J noted that there was "unsatisfactory evidence on both sides".[46] As such, Gill J used the floating licence fees set out in the Plaintiff's Price Book as a starting point, but applied a 25% downward adjustment to account for the node-locked nature of the hypothetical licence, since it was undisputed that node-locked licences are cheaper than floating licences.

28 Thus, in applying the Hypothetical Bargain Approach, Gill J held that the Plaintiff's claim of $259,511 was excessive and ultimately arrived at a significantly lower figure of $30,574.[47] Gill J emphasised that while any application of the Hypothetical Bargain Approach involved some level of speculation, the sum awarded was, according to him, the best estimation of the Plaintiff's loss based on the available indications.[48]

## IV. Additional damages

29 In respect of the Plaintiff's claim for $200,000 as additional damages under s 119(4) of the Copyright Act, Gill J rejected it on the basis that it was inappropriate as the Defendant's acts were not flagrant. While inappropriate in the present case, Gill J left open the issue of whether additional damages may nevertheless be available as a remedy in future cases involving vicarious liability for copyright infringement.[49]

46 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [70].
47 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [71].
48 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [72].
49 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [75].

## V. Observations

### *A. Key takeaways for copyright owners*

30 Gill J's decision provides helpful guidance (a) to copyright owners seeking to impose vicarious liability on employers; and (b) on the approaches available for assessing damages for copyright infringement.

31 The following observations on the issue of liability were made by Gill J (in *obiter*) in response to the Defendant's arguments that the Plaintiff had failed to take reasonable measures and that consequently, such failure militated against any finding of vicarious liability on the Defendant's part:[50]

> (a) First, *Siemens* clarifies that copyright owners can seek to hold employers vicariously liable for acts of copyright infringement committed by their employees. Establishing primary liability will depend on whether (i) the infringing acts can be attributed to the employer; and (ii) there was any authority conferred or authorisation given by the employer to the employee to carry out the acts.[51]
>
> (b) Second, the Defendant had argued that the Plaintiff had failed to take reasonable measures to safeguard its NX Software and consequently, such failure militated against any finding of vicarious liability. Gill J rejected this argument and stated in *obiter* that copyright owners are free to pursue (or not pursue) any instance of infringement against their copyrights and do not have a duty to take active measures to protect his or her copyright. Gill J clarified that the law does not mandate the enforcement of intellectual property rights but merely enables such action to be taken by rights holders.[52]
>
> (c) Third, *Siemens* helpfully clarifies that when the court is assessing damages for copyright infringement,

50 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [46].
51 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [21] and [23].
52 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [47].

a preliminary step taken will be to assess the extent of misuse.[53] This is in light of the principle that the object of damages is to compensate the plaintiff for loss or injury.[54] However, the copyright owner, has the burden of proving its loss[55] and must therefore adduce cogent and sufficient evidence to assist the court in assessing its claim for damages for copyright infringement.

### *B. Key takeaways for employers*

32 Given the increasing reliance on software and technology across various industries, Gill J's findings highlight what is expected of employers to prevent copyright infringement in the workplace.

(a) First, employers must put in place appropriate measures in the form of internal anti-software piracy policies and procedures to prevent software infringement.

(b) Second, it is insufficient to simply have in place measures to prevent piracy. It is also crucial that employers also take practical steps to implement and actively enforce such measures by ensuring that its policies and procedures are adequately understood by and regularly communicated to its employees.

(c) Third, where such measures are technological in nature, such as administrator controls, such technological measures are to be uniformly implemented over its office information technology assets.

## VI. Conclusion

33 *Siemens* illustrates how the court would analyse an employer's liability for an employee's act of copyright infringement and the circumstances under which such liability may be imposed. *Siemens* also provides helpful guidance in

53 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [57].
54 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [53] and [57].
55 *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 at [53].

respect of the various approaches that may be utilised under Singapore law for the assessment of damages, especially in cases involving copyright infringement, and the importance of adducing sufficient evidence to support a claim for damages.