

## DO YOU KNOW WHAT YOUR EMPLOYEE IS DOING?

*Singapore High Court Finds Employer Liable for Employee's Use of Pirated Software*

### INTRODUCTION

1. Can an employer be held legally responsible for the copyright infringement perpetrated by its employees? When will such liability be imposed? What if the employer was in the dark about the infringement?
2. Answers to these questions were given in the recent Singapore High Court (“HC”) case of *Siemens Industry Software Inc v Inzign Pte Ltd* [2023] SGHC 50 (“**Siemens v Inzign**”). In this article, we share the key takeaways for employers and copyright owners.

### BRIEF FACTS

3. The plaintiff and its related company distributes and sub-licenses commercial software (the “**NX Software**”) to users in Singapore. It was not disputed that the NX Software comprises copyright and that the plaintiff owned such copyright. As an aside, copyright subsists in computer program source codes under Singapore law.
4. The defendant is local manufacturing company (“**Inzign**”) and its employee had downloaded and installed the NX Software that was sold by the plaintiff without a paid license.
5. The employee concerned, **Mr Win**, was required to use the NX Software in his role as a machinist and would prior to the incident use a licensed version of it. Mr Win wanted to become more skilful in using the NX Software. However, the license owned by Inzign only allowed a single user of each module at any one time. In order to practise on the module while the authorised version of the NX Software was concurrently processing the defendant’s official projects, he sought to obtain a separate NX Software.
6. Mr Win accessed his employer’s toolroom, which was left unsupervised, and took an unused laptop (the “**Lenovo Laptop**”). The Lenovo Laptop, unlike the computer that he was using, lacked administrative controls. He was thus able to, and proceeded to, download a pirated version of the NX Software on it.
7. The plaintiff discovered the unauthorised use of its NX Software through an automatic reporting function built into it, and traced the infringement to Inzign via user IP address. The plaintiff informed Inzign of the infringement, and offered to “legalize” the unlicensed seat by purchase of the infringed software. The offer was rejected and the plaintiff commenced proceedings thereafter.

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## THE DECISION

8. It was not disputed that Mr Win had made infringing copies of the NX Software. The issue in *Siemens v Inzign* was whether his employer was also liable. In general, where an employee infringes upon a subsisting copyright, there are two bases in which his/her employer may be held liable, namely:

- (I) primary liability under the Copyright Act 1987 ("**1987 Act**") or Copyright Act 2021 ("**2021 Act**"); and;
- (II) vicarious liability at common law.

### I. Primary Liability

9. The 1987 Act (and the 2021 Act) provides that copyright in a work is infringed if a person, who neither owns nor licenses the copyright, either (a) does or (b) authorises the doing of, any act comprised in the copyright in Singapore.

10. For alternative (a), a corporate entity does something if, among others, its employee's actions are attributable to it such that the entity is taken to have done the act itself. The HC held that attribution was not present on the facts of *Siemens v Inzign*. Mr Win had pirated the NX Software outside the scope of any express or implied authority conferred to him by Inzign. There was no evidence that Mr Win's infringement was in exercise of any powers sanctioned by Inzign's constitution or other company instruments like a director's resolution.

11. As for (b), case law has interpreted the term "authorisation" in the 1987 Act to refer to the sanctioning, approving, or countenancing of the infringing use. The HC took into account the following factors in determining if authorisation was present:

- (a) Whether the alleged authoriser had control over the means by which copyright infringement was committed and, hence, a power to prevent such infringement;
- (b) The nature of the relationship (if any) between the alleged authoriser and the actual infringer;
- (c) Whether the alleged authoriser took reasonable steps to prevent or avoid copyright infringement; and
- (d) Whether the alleged authoriser had actual or constructive knowledge of the occurrence of copyright infringement and/or the likelihood of such infringement occurring.

12. The HC in *Siemens v Inzign* found that only factor (c) was made out. Specifically, Inzign had failed to take reasonable steps in preventing the infringing acts because of its weak anti-software piracy policy, its carelessness in managing the Lenovo Laptop, its lack of adequate supervision over Mr Win, and the absence of subsequent reminders of the anti-software piracy policy.

13. The authorisation factors are to be evaluated in their totality in the context of the factual matrix of each case. Proving one or even several of these factors would not be invariably decisive. Accordingly, even though the defendant may have been negligent as regards factor (c), the HC

concluded that it did not sanction, approve, or countenance Mr Win's infringing acts because of its lack of knowledge and control over those acts.

## II. Vicarious Liability

14. While Inzign was not primarily liable, the HC found that it was vicariously liable. In so deciding, it seminally held that the doctrine of vicarious liability in tort extends to copyright infringement.
15. Vicarious liability is a key doctrine in tort law which holds a defendant liable for the wrongful acts of another even if the defendant has not been negligent at all. Its main rationale is that persons who put risky enterprises into the community ought to be fairly held responsible when those risks emerge and cause loss or injury to members of the public.
16. The Courts apply a legal test which comprises two steps: (i) there must be a special relationship between the tortfeasor (Mr Win) and the defendant (Inzign); and (ii) there must be a sufficient connection between the defendant and the tortfeasor on the one hand, and the commission of the tort on the other.
17. Firstly, a 'special relationship' was made out in *Siemens v Inzign* by virtue of the contractual employment relationship between Mr Win and Inzign.
18. Secondly, the HC found that the above-mentioned 'sufficient connection' existed because:
  - (a) Inzign's lax supervision of Mr Win afforded him with the latitude and opportunity to commit the infringing act;
  - (b) the mismanagement of the Lenovo Laptop by Inzign's senior toolroom manager created and enhanced the risk that Mr Win could commit the infringing acts; and
  - (c) notwithstanding that Mr Win did not commit the act within his authorised scope of duties, given that his objective was to improve work performance which Inzign stood to benefit from, Mr Win still committed the tort in the context of employment.
19. Having established the two factors, the HC concluded that imposing vicarious liability on the employer was justifiable in the circumstances. The HC also considered its conclusion supportable in principle as it would promote the twin policy considerations of ensuring effective compensation of the victim and the deterrence of future harm.
20. As for damages, the HC held that the appropriate measure of damages is the price which the plaintiff could have reasonably charged in a hypothetical bargain. The HC declined to award additional damages because the infringement was not flagrant.

## LEARNING POINTS

21. Practical Takeaways for Employers. This case is a salutary reminder that responsibility for respecting intellectual property ("IP") rights begins from management. An employer should:
  - (a) Implement an anti-software piracy policy to minimise any implication that it had conferred on employees the authority to infringe IP rights.

- (b) Ensure that employees understand and acknowledge the piracy policy, taking into consideration that language barriers may exist.
- (c) Regular refresher courses and adequate subsequent reminders of its piracy policy should be given to employees.
- (d) Secure all computers, either used or unused, physically and with encryption.
- (e) Restrict employees from accessing premises which may hold computers or such other IT equipment which may be used to commit IP infringement.

22. Good News for Copyright Owners. This decision is also to be celebrated for establishing various principles which lends some assurance to copyright owners. In particular, we note that:

- (a) The HC agreed that a copyright owner should be afforded a *reasonable time* to take legal action (including giving notice of potential infringement).
- (b) The copyright owner's decision to not pursue claims against other known infringers will generally not prejudice the enforcement which he/she so chooses to embark on.
- (c) The HC stated that there was *no legal duty* on the part of the copyright owner to take active or preventive measures in protecting his/her copyright (e.g., in the form of technological protection measures).
- (d) Knowing the extent of infringing use is helpful for quantifying compensation. Where software copyright is concerned, demanding immediate uninstallation may be counter-productive.

23. Please do not hesitate to contact us if you have any queries relating to this case update, or require any advice in relation to copyright or employment law matters.

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