



Introduction

In the recent case of **Siemens Industry Software Inc. v Unicorn Solutions (M) Sdn Bhd**, the High Court dealt with the issue of assessment of damages for copyright infringement in respect of unlicensed software under the Copyright Act 1987 (“CA 1987”).

Factual background

Siemens Industry Software Inc. (“**Siemens**”) is the copyright owner of what it calls “NX Programmes” which has 332 modules and includes a software for computer-aided tooling, fixture design and parts manufacturing, which it licenses to subscribers.

Following a raid by the authorities on the premises of Unicorn Solutions (M) Sdn Bhd (“**Unicorn**”), Unicorn was found to have three computers (out of seven examined) with unlicensed NX Programmes installed.

After successfully obtaining judgment against Unicorn for copyright infringement, Siemens applied to the Court for payment of the following damages which Siemens claimed to have suffered as a result of the infringement:

- (i) special damages under Section 37(1)(b) of the CA 1987;

- (ii) statutory damages under Section 37(1)(d) of the CA 1987;
- (iii) additional damages under Section 37(7) of the CA 1987; and
- (iv) advertisement costs of RM11,872.53 for the publication of the notice of apology in three local newspapers.

High Court's decision

(a) Special damages

Siemens initially sought RM58,188,396.00 (approximately USD12,480,084.93) on the purported basis that the unlicensed software could potentially access all modules in the NX Programmes, with the license fee for all modules totalling RM19,396,132.00 (approximately USD4,160,028.31) per computer.

The Court was “*astounded*” by the “*whopping*” amount claimed by Siemens and questioned Siemens whether every single customer subscribed to all those modules and actually paid the said amount. Catching the “*drift*” of the Court, Siemens subsequently reduced the amount claimed to RM2,208,573.00 (approximately USD473,688.58).

The Court further directed Siemens to produce evidence of the license fees imposed on Unicorn’s four computers with licensed NX Programmes and/or evidence of license fees imposed on other local businesses in the same industry as Unicorn (“**previous transactions**”).

After reviewing the evidence of previous transactions adduced by Siemens, the Court awarded Siemens RM1,045,306.53 (approximately USD224,194.43), with interest on this sum at the rate of 5% per annum from the date of judgment until realization.

(b) Statutory damages

Under Section 37(1)(d) of the CA 1987, the Court has the power to award statutory damages of not more than RM25,000.00 (approximately USD5,361.93) for each work but not more than RM500,000.00 (approximately USD107,238.61) in the aggregate.

The factors which the Court is required to consider in awarding statutory damages [as prescribed under Section 37(8) of the CA 1987] include the nature and purpose of the infringing act (including whether it is of a commercial nature), the flagrancy of the infringement, and whether the infringer acted in bad faith.

The Court disallowed Siemens' claim for statutory damages on the ground that the conduct of Unicorn could not be categorised as flagrant because of the seven computers on Unicorn's premises, *"four were found to be licensed whilst only three of them were unlicensed"*.

(c) Additional damages

Under Section 37(7) of the CA 1987, in assessing damages for infringement the Court has the power to award such additional damages as it may consider appropriate in the circumstances.

The factors which the Court is required to consider include the flagrancy of the infringement, and any benefit shown to have accrued to the infringer by reason of the infringement.

The Court disallowed Siemens' claim for additional damages on the same ground that the conduct of Unicorn could not be categorised as flagrant.

(d) Advertisement costs

Siemens' claim for advertisement costs was rejected on the ground that the assessment proceedings were only for special damages, statutory damages, and additional damages.

Comments

The authors are of the view that the Court should be lauded for at least the following:

(a) being careful in ensuring that there was no overcompensation to Siemens by questioning the sums claimed by Siemens and directing Siemens to adduce further evidence to support the same. The approach of the Court is even more commendable when one considers the fact that the proceedings were uncontested; and

(b) being meticulous in examining the additional evidence adduced by Siemens and applying a commercial minded approach in arriving at the final sum awarded to Siemens. For instance, the Court was not persuaded by evidence on the amount of licence fees paid by two customers of Siemens where one arose out of a settlement agreement and one was for a perpetual licence, both of which were held to be not comparable to the facts of the case.

However, copyright owners may be disappointed with the reason given by the Court for rejecting Siemens' claims for statutory damages and additional damages because the Court appears to have adopted what some may perceive as a rather lenient approach in determining whether an infringement is flagrant. Further, it is not entirely clear whether the Court considered the other factors (apart from flagrancy) prescribed under Sections 37(7) and 37(8) of the CA 1987. On the face of it, it appears that the assessment by the Court was heavily, if not solely, reliant on the factor of flagrancy alone.

Further, it is worth highlighting that it was not permissible for Siemens (or any other claimant for that matter) to claim special damages [under Section 37(1)(b) of the CA 1987]

and statutory damages [under Section 37(1)(d) of the CA 1987] because it is clearly stated in Section 37(4) of the CA 1987 that these damages are **mutually exclusive**. As such, the Court could (and should) have rejected Siemens' claim for statutory damages from the outset. Perhaps the provision of Section 37(4) of the CA 1987 was not brought to the attention of the Court.

This decision provides a significant precedent for future cases on assessment of damages under the CA 1987. As mentioned, the Court awarded just slightly over RM1 million (approximately USD224,000) after a meticulous evaluation of Siemens' previous transactions, rather than the full claimed amount of over RM58 million (approximately USD12,480,000). The Court's approach to assessing damages, grounded in tangible data rather than speculative figures, ensures that the amount of damages awarded is fair and just, avoiding overcompensation. This approach provides valuable guidance for similar cases in the future.

This case also serves to illustrate the importance for businesses to ensure that they do not fall foul of copyright law because, apart from the risk of having to pay a hefty amount of monetary compensation in a civil suit, copyright infringement could potentially lead to raids being conducted on the premises of businesses by the authorities, and criminal sanctions (fines and/or imprisonment) being imposed. In fact, in criminal cases, the officers of a body corporate may also be held liable for infringement by the body corporate.

Thus, businesses should ensure that they have a robust internal system to avoid copyright infringement. The system should include elements such as regular audits and employees' education programmes on the basics of copyright law (in particular on the serious consequences of copyright infringement).

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