

CONSULTATION RESPONSES

- (1) Angela Fox
- (2) British Brands Group
- (3) British Broadcasting Corporation (BBC)
- (4) Chartered Institute of Patent Attorneys (CIPA)
- (5) City of London Law Society (CLLS)
- (6) George Hamer
- (7) Haseltine Lake LLP
- (8) Herbert Smith Freehills LLP
- (9) The Institute of Trademark Attorneys (ITMA)
- (10) Intellectual Property Lawyers Association (IPLA)
- (11) The IP Federation
- (12) Judges of the Court of Session
- (13) The Law Society of England and Wales Intellectual Property Working Party (the IP Working Party)
- (14) Licensing Executives Society (Britain and Ireland) (LES)
- (15) Lord Justice Kitchin, Lord Justice Floyd, Mr Justice Arnold and Mr Justice Birss (the Patent Judges)
- (16) Marques
- (17) Qualcomm – via George Whitten
- (18) Reddie & Grose LLP – via Alice Findlay
- (19) Rt Hon. Professor Sir Robin Jacob
- (20) Scott & York Intellectual Property Law – via Catherine Ayers
- (21) Wedlake Bell LLP – via Jonathan Cornthwaite

Response #: 1

**Groundless Threats:
Completed Response**

Name:	Angela Fox
Category:	Solicitor
Email:	[REDACTED]
Address:	[REDACTED]
Telephone	[REDACTED]

Confidential: Off	
-----------------------------	--

Question <u>1)</u> Have the problems with the current law been correctly identified?
<u>Response:</u> Yes
<u>Comments:</u>
Question <u>2)</u> Do other problems exist?
<u>Response:</u> Off
<u>Comments:</u>
Question <u>3)</u> Do consultees agree that protection against groundless threats of infringement proceedings should be retained?
<u>Response:</u> No
<u>Comments:</u> I would personally support the abolition of the statutory torts of making groundless threats of infringement proceedings. This is because I am not persuaded that the provisions achieve the intended aims; indeed, on the contrary, it is clear that they give rise to unnecessary complications and costs and are open to abuse. Although a primary aim of these laws has been to protect businesses from damage arising from groundless threats made to retailers and distributors, in practice the latter entities are virtually never the claimants in groundless threats actions, and the question of whether the threats have caused damage is rarely the main issue. Instead, threats actions are typically used as a tactical device to gain leverage against an opponent, often by roping the right owner's legal advisors in as a defendants and thereby driving a wedge between them and their client, and they distract from the main issue, which is whether the action complained of is indeed an infringement. The availability of an action for a declaration of non-infringement should be sufficient to

protect the interests of alleged infringers, including the primary infringers who are normally the claimants in threats actions, and to allow the courts to focus on the main issue, that of infringement or lack of it.
<p>Question 4)</p> <p>If so, should this protection continue to apply to unregistered design right?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> (Assuming that the law of groundless threats is to be retained and not abolished.) Unregistered design right is more akin to copyright than to registered designs, as noted when the Patents County Court set up its small claims track in October 2012. It makes no sense to treat it differently from copyright in relation to groundless threats. If the law against the making of groundless threats is retained, it should be abolished in respect of unregistered design right to bring that area into line with copyright.</p>
<p>Question 5)</p> <p>Do consultees agree that the law of groundless threats actions should be reformed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> If it is not to be abolished, it is certainly in need of reform.</p>
<p>Question 6)</p> <p>Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> This proposal makes sense since it would avoid the need to await acts of primary infringement before a patentee can safely send a letter before claim in circumstances where there is reason to believe that a person intends to commit acts of primary infringement. It would avoid the need to issue a protective quia timet claim form to ensure that such a letter before claim can safely be sent. I would support this proposal.</p>
<p>Question 7)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 8)</p> <p>If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p>

Comments:

Yes, since otherwise letters before claim to and requests for undertakings from primary infringers will not safely be able to address all the acts of infringement that such infringers may undertake. This will lead to incomplete resolution of disputes and possible misunderstandings on the part of recipients of letters before claim as to what acts they are permitted to undertake in relation to products or articles.

Question 9)

Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?

Response: Off

Comments:

Question 10)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?

Response: Off

Comments:

Question 11)

If so, should the provisions exempt a threat, made to a person who:
has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or
has imported goods to which the mark has been applied or to their packaging (or intends to do this),
where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?

Response: Yes

Comments:

Yes, since otherwise letters before claim to and requests for undertakings from primary infringers will not safely be able to address all the acts of infringement that such infringers may undertake. This will lead to incomplete resolution of disputes and possible misunderstandings on the part of recipients of letters before claim as to what acts they are permitted to undertake in relation to a mark. Expressly exempting threats in relation to "causing the mark to be applied" would usefully fill what may be a gap in the current law, where a third-party packaging or labelling company is acting under instructions from a manufacturer or importer. Extending the exemption to intended infringements would also assist in the early resolution of disputes since it would avoid the need to await acts of primary infringement before a mark owner can safely send a letter before claim in circumstances where there is reason to believe that a person intends to commit acts of primary infringement.

Question 12)

Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.

<p><u>Response:</u> No</p> <p><u>Comments:</u> This proposed change is complicated and it will not always be possible to determine whether, and to what extent, a service provider was involved with a commercial decision to brand the services using a mark, and indeed what "a commercial decision to brand the services using a mark" actually means. Exempting threats in relation to the supply of services generally is simpler, and there is no evidence that the ability to safely send a letter before claim to service suppliers has given rise to problems. I would not support the proposal to change this.</p>
<p>Question <u>13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> Yes. Making legal representatives liable for threats is a regular source of tactical manoeuvring by defendants designed to drive a wedge and create a conflict of interest between advisors and clients. This should be changed.</p>
<p>Question <u>14)</u> Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> There must be safe harbour for notifying third parties of the existence of registered rights. As things stand the mere notification provision is of little assistance against infringers to whom an exempted letter before claim cannot be sent. However, in principle it will do nothing to further the overriding objective if there is no provision for safely notifying others of the existence of registered rights.</p>
<p>Question <u>15)</u> Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>16)</u> If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Off</p> <p><u>Comments:</u></p>
<p>Question <u>17)</u> If so, should assertions about the right include the following: The right exists?</p>

<p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>18</u>)</p> <p>Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question <u>19</u>)</p> <p>Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>20</u>)</p> <p>If so, should factual information include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>21</u>)</p> <p>Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>22</u>)</p>

<p>If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p>
<p>Question <u>23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of</p>

confidence? Threats to sue elsewhere in the EU?
<u>Response:</u> No
<u>Comments:</u>
Question <u>29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?
<u>Response:</u> Off
<u>Comments:</u>
Question <u>30)</u> We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.
<u>Response:</u> N/A
<u>Comments:</u>
Question <u>31)</u> We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.
<u>Response:</u> N/A
<u>Comments:</u> As indicated above, the existence of these provisions make it difficult to send a letter before action in compliance with the Practice Direction on Pre-Action Conduct against most infringers, without issuing a protective claim form first or obtaining an indemnity from the client for potential legal costs arising if an action for unjustified threats is issued against the legal advisors. If a letter before claim is sent that is drafted to fall outside the scope of the threats provisions, the undertakings sought typically cannot extend to all the types of infringing activity in which the alleged infringer engages or may engage. This causes real difficulties in the cost-effective resolution of IP disputes before proceedings are issued that are arguably not outweighed by any perceived benefit in protecting business owners from damage arising from unjustified threats of infringement proceedings.
Question <u>32)</u> We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.
<u>Response:</u>
<u>Comments:</u>
Question <u>33)</u> We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the

exemption for threats made to primary infringers.
<u>Response:</u> N/A
<u>Comments:</u>
<p>Question <u>34</u>)</p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?</p> <p>It would reduce the number of cases litigated? If so, how many cases might be affected?</p>
<u>Response:</u> Yes
<u>Comments:</u>
<p>Extending the exemption would remove the need to consider the risk of a pre-emptive threats actions in relevant cases and would remove the need to draft letters to fall outside the scope of the threats provisions, or to issue a protective claim form first. It would also make it possible to address all relevant issues at once, rather than only addressing those that fall outside the scope of the threats provision.</p>
<p>Question <u>35</u>)</p> <p>We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.</p>
<u>Response:</u> N/A
<u>Comments:</u>
<p>This point is addressed above and, as indicated, it is critical. As matters currently stand, the risk of liability on the part of legal representatives who merely act for clients has the potential to create conflicts of interest and to cause clients increased expense where they have provided indemnities to their advisors or where they consider it necessary to instruct new advisors because their existing advisors have become parties to the proceedings.</p>
<p>Question <u>36</u>)</p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<u>Response:</u> Yes
<u>Comments:</u>
<p>Question <u>37</u>)</p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<u>Response:</u> N/A

Comments:

This offers greater promise of achieving the objective behind the existing threats provisions than the threats provisions themselves, which are patchy, imperfect and widely used to gain tactical advantage. Whether intention to cause loss should be required is a point that should be considered. Letters before claim are not normally sent with the intention of causing loss to a competitor but may result in such loss if a competitor or competitor's distributor decides to take an infringing product off the market in order to avoid a possible action. Where such a letter before claim is part of a good faith effort to protect and enforce an IP right and without the intention to cause loss to a competitor other than naturally occurring and unavoidable loss flowing from the cessation of the activity complained of, it should not be caught by the tort. Care should also be taken that "false or misleading allegations" is not expressed in a way that encompasses good faith efforts to protect and enforce IP rights simply because the recipient of a letter before claim, or a court, takes a different view of the merits. Legal advisors acting on instructions should be exempted for the reasons already discussed.

Response #: 2

**Groundless Threats:
Completed Response**

Name:	British Brands Group
Category:	Other: Trade association representing brand manufacturers
Email:	
Address:	100 Victoria Embankment London EC4Y 0DH
Telephone	

Confidential: Off	
-----------------------------	--

<p>Question <u>1</u>)</p> <p>Have the problems with the current law been correctly identified?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>2</u>)</p> <p>Do other problems exist?</p> <p><u>Response:</u> No</p> <p><u>Comments:</u></p>
<p>Question <u>3</u>)</p> <p>Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>The British Brands Group acknowledges that a balance must be struck between protecting existing rights and stimulating new ideas and innovation. The Group also recognises that part of that balance includes some form of judicial or legislative redress against rights owners for "over zealous" enforcement of rights, particularly aimed at disrupting the supply chain rather than dealing with the source of infringement. The Group also acknowledges that provisions governing groundless threats may also reassure some brand owners that "bullying" will not be tolerated, so can be useful provisions. However, the Group would urge the Commission to ensure that the regulation of the threats issue does not become a barrier to trade and disrupt the harmonisation of the European market, particularly with regard to Community Rights such as Community Designs (both registered and unregistered) and Community Trade Marks. It is noted that the vast majority of Member States manage to deal with this issue without specific legislation.</p>

Question 4)

If so, should this protection continue to apply to unregistered design right?

Response: Other

Comments:

Yes, but only provided it is consistent across other rights. The Group is of the view that all IP should be treated in the same way with regard to threats; both registered and unregistered. However, if a distinction was to be drawn between registered and unregistered rights, it seems illogical to make unregistered design right a further exception to that rule.

Question 5)

Do consultees agree that the law of groundless threats actions should be reformed?

Response: Yes

Comments:

The Group agrees that the current system should be reformed, since it is unnecessarily complex, inconsistent between different IP rights, and often ineffective in any event, since it is easily circumvented.

Question 6)

Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

Response: Yes

Comments:

As an organisation primarily focused on brand issues, patents tend to be a more peripheral concern. However, in general the Group agrees that it would be helpful to extend the exemption to cover those who "intend" to make or import a product for disposal or to use a process so that infringement can be dealt with at an earlier stage. In particular, it seems contrary to the Civil Procedure Rule's (CPR's) intention to encourage the early resolution of disputes if a rights owner had to wait until the act complained of had actually been carried out. Since the courts have jurisdiction to restrain infringement on a quia timet basis before the act is carried out, rights owners should also be able to address such issues before they arise. Clearly there will be evidential challenges relating to demonstrating such an intention, which should be addressed. Where the intention is disputed, the threatener would need to bring evidence of such intention, but the Group does not think that this would be unduly onerous.

Question 7)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?

Response: Yes

Comments:

The Group agrees that this should be extended.

Question 8)

If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?

Response: Yes

Comments:

Provided the rights owner is addressing his concerns to the maker or importer, he should be free to raise all his issues of concern, including onward sale of such items. It hinders proper communication of the issues if only primary infringement can be addressed, and precludes, for example, undertakings which consider all issues of concern (both primary and secondary).

Question 9)

Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?

Response: No

Comments:

The Group has no strong view on this. However, if a focus is to remain on "primary" infringement, it would seem inconsistent, for example, to exempt communication with a product designer. The communication should be focused on the manufacturer/importer, rather than encouraging multiple correspondence.

Question 10)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?

Response: Yes

Comments:

The Group supports the proposal to exempt threats made to a person who has applied a mark to goods or has imported goods to which the mark has been applied, as well as the proposal to exempt threats to those who have "caused the mark to be applied", including for sub-contractors.

Question 11)

If so, should the provisions exempt a threat, made to a person who:
has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or
has imported goods to which the mark has been applied or to their packaging (or intends to do this),
where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?

Response: Yes

Comments:

The Group supports these proposals and, as with designs, provided the rights owner is addressing his concerns to the maker or importer, he should be free to raise all his issues of concern, including onward sale of such items. It hinders proper communication of the issues if only primary infringement can be addressed, and

precludes, for example, undertakings which consider all issues of concern (both primary and secondary).
<p><u>Question 12)</u></p> <p>Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u></p> <p>The Group supports the proposal to exempt threats made to a person who has applied a mark to goods or has imported goods to which the mark has been applied, as well as the proposal to exempt threats to those who have "caused the mark to be applied", including for sub-contractors. The Group agrees that a simple exclusion for ALL services seems overly simplistic and that it is not correct to suggest that services do not have the same supply chain as goods. Branding is an important part of many service industries and will continue to be so. However, since many service franchises operate on a multi-jurisdictional basis, the Group would not support a narrow exemption for services such that franchisors could not be addressed without fear of threats.</p>
<p><u>Question 13)</u></p> <p>Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>The Group is a brand owner's organisation, rather than one of legal professionals, so this is not a material concern. Members indicate that potential liability of advisers is rarely a big issue and does not tend to disrupt the relationship between the lawyer and client in any material way, as experienced firms know and understand the risks involved. However, the Group also feels that this issue does represent an additional level of dialogue that can lead to increased legal costs. It can also encourage tactical litigation against advisers. The Group would support the Australian model such that threats made on instruction are not separately actionable.</p>
<p><u>Question 14)</u></p> <p>Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>The Group's opinion is that mere "notification" letters are rarely of any substantive assistance to either the sender or the recipient. It would be preferable to have a clearer indication of what threats can be made, and to whom, than to have a mere notification exception.</p>
<p><u>Question 15)</u></p> <p>Do consultees agree that the provisions exempting enquiries to find the trade source</p>

and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?

Response: Yes

Comments:

The Group's general view is that all IP rights should be treated in the same way with regards to all threats. There is little justification for differing regimes for different IP rights. Further, although the Group tends to focus more on trade mark and design issues with less exposure to patents, the general perception is that the variation to the patents regime had helped to focus attention on the source of primary infringement, so the exemptions should be extended.

Question 16)

If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?

Response: Yes

Comments:

Yes - clarity would be welcomed.

Question 17)

If so, should assertions about the right include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Yes

Comments:

Yes - it would be helpful to include an express provision that it would not be an actionable threat to make assertions that the patent (or other right) exists, that it is valid and that the offending product or process falls within its scope.

Question 18)

Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?

Response: No

Comments:

Merely identifying the primary infringer presupposes that the right has been infringed. There may be situations where it is necessary to seek further information to establish whether or not the right is actually infringed.

Question 19)

Do consultees agree that it should not be a threat to provide factual information to a

person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?

Response: Yes

Comments:

Agree. Whilst this could be misused, it is often important to put the potential defendant on notice. This is also in the spirit of the CPR for the early resolution of disputes.

Question 20)

If so, should factual information include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Yes

Comments:

Yes - it would be helpful to include an express provision that it would not be an actionable threat to make assertions that the patent (or other right) exists, that it is valid and that the offending product or process falls within its scope. Details as to how the offending product falls within the scope of the IP right should also be included.

Question 21)

Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?

Response: Yes

Comments:

Yes, provided it is done in good faith.

Question 22)

If so, when should it be legitimate to make such a threat? Is a specific defence required?

Response: N/A

Comments:

A threat should only be made if the rights holder has a genuine, bona fide belief that the rights are infringed (akin to a declaration in a Statement of Truth). No specific defence is required.

Question 23)

Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?

<p><u>Response:</u> No</p> <p><u>Comments:</u> The Group has no particular views on this question.</p>
<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> The Group's general view is that there is little justification for differing regimes for different IP rights.</p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> The Commission reports indicate that "all practical steps" can be interpreted widely, as can "best endeavours". A short, simple and not overly prescriptive test would be preferred - such as "reasonable endeavours".</p>
<p><u>Question 27)</u> Do consultees agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>

<p><u>Response:</u> Yes</p> <p><u>Comments:</u> (1) Some members commented that the threats provisions in reality made little difference to their pre-action conduct. The view is that many members were happy to make the threat explicit and deal with any threats allegation as part of the substantive dispute, and that the threats complaint was merely a tactical issue. However, it was acknowledged that the existing threats rules did sometimes contribute to matters being "bounced" into litigation sooner rather than later and that often the threats regime escalates matters unnecessarily. (2) & (3) No comment. (4) It was noted that many of the reported cases on threats involved an author of a letter outside the UK who may not have understood the potential consequences of their letter, in line and in relation to the UK threats regime.</p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u></p>
<p><u>Question 30)</u> We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> The Group urges caution in applying a new tort, which could create as many problems as the current regime. For example, some members report that they have experienced many problems with unfair competition rules being broadly applied elsewhere in Europe, for example, unfair competition challenges are routinely deployed with the aim of disrupting new product launches. The Group would support the new scheme only if it was clear that the regime extended solely to threats and had no wider negative implications. This is not to say that the Group believes the UK complies with its treaty obligations under Article 10bis of the Paris Convention. Indeed it believes it does not, notably in the area of providing redress against misleadingly similar packaging.</p>
<p><u>Question 31)</u> We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> No comment - this is beyond the the Group's remit.</p>
<p><u>Question 32)</u> We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights</p>

infringement; and how they react to such correspondence.
<u>Response:</u>
<u>Comments:</u> No comment - this is beyond the Group's remit.
Question <u>33)</u> We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.
<u>Response:</u> N/A
<u>Comments:</u> The Group believes that the cost of extending existing principles to trade marks and designs should be relatively low, since it would not require substantial new advice from their counsel.
Question <u>34)</u> Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much? It would reduce the number of cases litigated? If so, how many cases might be affected?
<u>Response:</u> No
<u>Comments:</u> (1) The costs of the reform itself would be minimal. (2) It would be unlikely to reduce the cost of engaging an adviser to act and draft pre-action correspondence, but it may reduce the cost of early stage IP litigation overall, by making communication clearer and more straightforward. (3) It is unlikely to affect the number of cases litigated. Very few cases are commenced on unjustified threats.
Question <u>35)</u> We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.
<u>Response:</u> N/A
<u>Comments:</u> The overall feeling of the Group is that the potential liability of legal advisers is rarely a big issue and does not tend to disrupt the relationship between the lawyer and the client. The Group believe that providing protection would be unlikely to reduce the cost of engaging an adviser to act and draft pre-action correspondence, but it may reduce the cost of early stage IP litigation overall, by making communication clearer and more straightforward. It will also remove the risk of tactical litigation being taken against advisers. It is unlikely to affect the number of cases litigated as very few cases are commenced on unjustified threats.
Question <u>36)</u>

<p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>(1) The costs of the reform itself would be minimal. (2) It would be unlikely to reduce the cost of engaging an advisor to act and draft pre-action correspondence, but it may reduce the cost of early stage IP litigation overall, by making communication clearer and more straightforward. (3) It would make it easier for small businesses to contact alleged infringers.</p>
<p><u>Question 37)</u></p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p> <p>The Group urges caution in applying a new tort, which could create as many problems as the current regime. New law is likely to take some time to interpret and will probably need a test case to consider. This is only likely to increase costs.</p>

Response #: 3

**Groundless Threats:
Completed Response**

Name:	British Broadcasting Corporation
Category:	Rights holders
Email:	
Address:	BBC IP Legal BC2 A4 Broadcast Centre 201 Wood Lane London W12 7TP
Telephone	

Confidential: Off	
-----------------------------	--

<p>Question <u>1</u>) Have the problems with the current law been correctly identified?</p> <p><u>Response:</u> Other</p> <p><u>Comments:</u> We consider the problems with the current law have been correctly identified in part. We consider that there are additional issues, as set out in the rest of our response.</p>
<p>Question <u>2</u>) Do other problems exist?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u> We consider that the defences to threats actions in patents law are overly complicated and could be simplified as we set out below.</p>
<p>Question <u>3</u>) Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p> <p><u>Response:</u> No</p> <p><u>Comments:</u> In relation to trade marks, we do not consider that protection against groundless threats of infringement proceedings should be retained at all. We cannot recall a situation where, as the recipient of a threat, the threats provisions were helpful to us. On the rare occasion when we have received an actionable threat, these are frequently from claimants who have not necessarily had access to proper advice and are rarely, if ever, made in circumstances in which we would want to take the point and commence proceedings. Depending on the circumstances, we do not necessarily even point out to the person making the threat that we consider they</p>

have made a groundless threat. On the other hand, as a trade mark owner, the risk of a threats action makes drafting a sensible, understandable, protocol-compliant letter before action quite difficult. Our infringers are usually primary, but there are often other acts that we would include in the C&D/draft undertakings to cover all of their activity, but for the threats provisions. In relation to trade marks it is often quite difficult to distinguish acts of primary infringement from those of secondary infringement, particularly when so much infringement is online.

Question 4)

If so, should this protection continue to apply to unregistered design right?

Response: No

Comments:

Question 5)

Do consultees agree that the law of groundless threats actions should be reformed?

Response: Yes

Comments:

As above, we consider that this cause of action should be abolished in relation to trade marks and designs. In relation to patents, threats against primary infringers should be allowable however the threat is formulated. However, in either case, it should not be permissible to bring an action against a solicitor writing on behalf of a client as this results in driving a wedge between client and advisor. Under the 1907 Patents Act it was a complete defence to a charge of groundless threats to commence infringement proceedings. This strikes us as clearcut and simple and would achieve the purpose of ensuring that rights owners do not make threats unless they had a serious belief that their patent was valid and they could support such a threat with an infringement action.

Question 6)

Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

Response: Yes

Comments:

Yes, as long as there is clearcut proof of intent.

Question 7)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?

Response: Off

Comments:

Question 8)

If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?

<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>9)</u> Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>10)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> As above, we consider that the threats provisions should be abolished in their entirety. The threats provisions were originally designed for patent actions; and these provisions make sense in relation to patent actions, which are so expensive and complicated, and where, commonly, the patent in dispute is integral to the product being manufactured or sold (such that there is a risk that commercial activity will grind to a halt in the face of a threat). However, this is not often the case in relation to a trade mark, where there are frequently work around solutions that can be implemented to avoid the infringement (particularly online).</p>
<p>Question <u>11)</u> If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>12)</u> Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u> We consider that an exemption in these terms would lead to greater uncertainty and a further fetter on a rights holder's ability to pursue infringers. This is particularly so given that a substantial (and increasing) amount of the infringement we are subject to is in the form of online activity (where no physical goods exist) such as unauthorised websites, streaming services and online promotion. In such cases it</p>

would often be difficult if not impossible to decide whether the alleged infringer had taken a 'commercial' decision to brand their services using our marks.

Question 13)

Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?

Response: Yes

Comments:

It should not be permissible in relation to any of the registered rights to bring an action against a solicitor writing on behalf of a client. Permitting this results in:- creating conflicts of interests between solicitor and client- driving a wedge between solicitor and client - adds to costs - creates procedural disruption (including because new solicitors have to be appointed)- brings other parties (ie the solicitors' insurer) into the dispute

Question 14)

Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?

Response: No

Comments:

Without an exemption for the provision of information of this kind, we struggle to write letters before action that are protocol compliant and readily understandable to their recipients.

Question 15)

Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?

Response: Yes

Comments:

Question 16)

If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?

Response: Yes

Comments:

Question 17)

If so, should assertions about the right include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design

in question?
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> If any threats provisions are to be retained, we believe it would be useful if the party asserting the right was obliged to state that to the best of their knowledge and belief the right is valid and subsisting.</p>
<p>Question 18)</p> <p>Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover “whether” a right has been infringed?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u></p>
<p>Question 19)</p> <p>Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 20)</p> <p>If so, should factual information include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders’ patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 21)</p> <p>Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 22)</p> <p>If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> N/A</p>

<u>Comments:</u>
<p><u>Question 23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> Off</p>
<u>Comments:</u>
<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<u>Comments:</u>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<u>Comments:</u>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<u>Comments:</u>
<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> The patent owner should bear the risk that their patent is not valid. Proving 'good faith' is likely to be difficult and to add to costs.</p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>

<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question 29)</p> <p>Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question 30)</p> <p>We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p> <p>We think that trade libel adequately covers this. Introducing a new statutory tort risks making this whole area of law overly complicated and therefore expensive.</p>
<p>Question 31)</p> <p>We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p>
<p>Question 32)</p> <p>We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u></p>
<p><u>Comments:</u></p> <p>The BBC has rarely, if ever, been alleged to have made a groundless threat in relation to trade mark, design or patent proceedings. The BBC has had cause to raise in correspondence the fact that we consider we have been subject to a groundless threat of trade mark proceedings only once or twice in the last 8 years. We consider that in relation to trade marks, the groundless threats provisions add a layer of complexity and difficulty to the pre-action conduct of the respective parties without providing any measurable benefit whatsoever. The threats provisions in relation to patent law should be retained but simplified in the manner we have proposed above.</p>
<p>Question 33)</p> <p>We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.</p>
<p><u>Response:</u> N/A</p>

Comments:

Question 34)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?

It would reduce the number of cases litigated? If so, how many cases might be affected?

Response: Off

Comments:

Question 35)

We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.

Response: N/A

Comments:

Question 36)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of legal advice? If so, by how much?

It would make it easier for small businesses to contact alleged infringers?

Response: Off

Comments:

Question 37)

We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS

RESPONSE TO QUESTIONS

YOUR DETAILS	
Name of respondent:	Chartered Institute of Patent Attorneys
Type:	Patent or trade mark attorney
Postal address:	3rd Floor 95 Chancery Lane London WC2A 1DT
Telephone:	
Email:	
Confidentiality: Please read the Freedom of Information statement above before checking this box. <input type="checkbox"/> I wish to keep this response confidential. Please explain why you regard the information as confidential:	

INTRODUCTION - CIPA

The Chartered Institute of Patent Attorneys (CIPA) is the professional and examining body for patent attorneys in the United Kingdom. The Institute was founded in 1882 and was incorporated by Royal Charter in 1891. The total membership of CIPA comprises over 3300 professionals based in UK, Europe and other parts of the world. It includes nearly all UK registered patent attorneys (over 1800 in number), as well as other professionals with patent expertise (for example, European patent attorneys, solicitors, barristers and overseas attorneys). Some of CIPA's members work in private practice and others work in in-house departments.

The work involves advising clients on intellectual property rights, including patents, trade marks and designs, assisting clients with obtaining such rights and advising in relation to enforcement.

Most registered patent attorneys have the right to represent their clients in proceedings before the Patents County Court, which can include cases for patent infringement and revocation. Those registered patent attorneys with a further litigation qualification can also represent their clients in the High Court on intellectual property matters and on appeal.

Consequently, CIPA members deal with the threats provisions as part of their work in advising clients on enforcement of the IP rights obtained for them, or as part of their work in advising clients on responding to enforcement letters received from rights owners.

INTRODUCTORY COMMENTS

Before answering the questions in the order sought by the Law Commission, CIPA wishes to make some introductory comments.

CIPA has noted that the Law Commission's consultation paper on the threats provisions relating to intellectual property rights represents a huge amount of good work. There is a general perception, however, amongst those members responding to us, that if the Law Commission seeks to address the underlying mischief of rights holders inappropriately asserting their rights, then it should tackle this mischief head on. In this regard, the Law Commission should consider again whether further small-scale changes to the current provisions under its evolutionary approach really do serve to accomplish this aim. Further amendment of the current provisions, as explained below, could in fact have the opposite effect of that intended. This is because there is a concern that further amendment of the current system could lead to even more complicated rules, which take even more time and money to navigate. We are therefore in favour of a complete repeal of the current provisions and the implementation of a new regime which clearly sets out the abuse to which it relates. In that regard, it should be clear whether that is an abuse of using the threat of litigation to damage a competitor, when there is no real intention to begin any such litigation or whether there is some other mischief which is being addressed.

The entire area of Intellectual Property Rights is fraught with complex issues. These are economic rights which permit one trader to stop another from trading. Sometimes identifying the real source of the potential infringement is not straightforward. Parties should be encouraged to settle rather than use the courts. So having a threats regime which deals with "abuse" (however, that is defined), whilst not making it so hard for a party to seek redress for a right which may have been expensive to obtain, is a difficult line.

There are, in particular, two issues relating to threats which are considered to be important, and which require further consideration.

*The first relates to the impact of the impending changes to the law of enforcement of patents granted by the European Patent Office ("**EPO**"). These changes are currently expected to come into force in 2015. From that time, the EPO will be granting patent protection for the UK either via bundle of national patents (including an EP(UK) patent) or will be granting a European patents with unitary effect (which we will refer to as the "**Unitary Patent**"). With the exception of opted out EP(UK) cases, enforcement of all these patents will take place in the Unified Patents Court ("**UPC**"), not in the courts of the United Kingdom¹. This is different from Community Trade Marks and Community Designs where national courts are designated to act as community courts. A threat to bring proceedings to enforce a patent in the UPC may not specify where those proceedings will take place. They may take place in the UK's local division. Or they might take place in another division. If the bulk of patent litigation moves to the UPC, then any UK provisions relating to unjustified threats of patent infringement might become of marginal relevance, only applying when the patents have been granted by the UK IPO.*

Even if the UK threats provisions included an unjustified threat to bring proceedings under a Unitary Patent, let alone continue to apply to all UK patents granted by the EPO, there is an issue as to how these might be handled. To defend a threats action, the IP rights owner may need to the court to consider infringement and the threatened party will want the court to

¹ The UPC does not fall within the definition of "court" in the Patents Act 1977 (see s 130(1)).

consider the validity of the IP right. However, the UK courts will (subject to the transitional provisions) cease to have jurisdiction over patents granted by the EPO.

There are no provisions relating to threats written into the Unified Patent Court agreement. There are therefore outstanding questions as to which court, if any, will have jurisdiction over threats made in relation to Unitary Patents. Will this be national courts based upon where the recipient or where the issuer of the threat is located? How then are the UK courts to deal with an overseas patent owner who threatens someone in the UK with litigation in the UPC? By the time any legislation proposed by the Law Commission is implemented, the UPC may well be effective.

A second issue relates to the impact of the introduction of criminal sanctions for registered design infringement, as set out in the Intellectual Property Bill currently before Parliament. There is a real and serious risk of designers (who have lobbied for this new sanction) threatening third parties with criminal sanctions for “copying” registered designs, and not just threatening in respect of civil proceedings (NB – it is for the defendant to prove that their product was not an infringement, not for the prosecution to prove that it was). As drafted, secondary infringers can also be liable for criminal sanctions. This is serious as a threat of criminal proceedings will be perceived as far more significant to a competitor’s customers than civil litigation. So a misplaced threat of criminal proceedings for “copying” will create far more damage. Also, s27 RDA 1949, defines “court” by reference to the civil courts, not the criminal ones.

RESPONSE TO THE QUESTIONS ASKED

INTRODUCTION

We think that the groundless threats provisions should be retained but reformed. The provisions prevent a form of abuse whereby a trader attempts to drive a competitor from the market by making threats of infringement proceedings. There are, however, problems with the current law and we put forward alternative approaches to its reform. The first approach builds on the 2004 reforms to the threats provisions for patents, which would be extended to trade marks and to registered and unregistered designs. The second we set out in outline only. We propose a new right, a tort of making false allegations that is based on the Paris Convention.

We would like comments and responses on the following questions.

CHAPTER 7: PROBLEMS WITH THE LAW

We have identified three problems with the current law. First, the threats provisions are too narrow and are easy to avoid by using loopholes, such as threatening to sue for related causes of action like passing off. Second, the provisions are too wide and, for trade marks and design rights, give protection to primary infringers where threats extend to acts of secondary infringement. Also, the provisions apply to legal advisers acting in their professional capacity. Finally, they are too complex and vary between rights. This sets traps for the unwary and lends itself to games playing.

Question 1. Have the problems with the current law been correctly identified? (7.92)

YES

CIPA considers that the salient problems identified by the Commission are that the provisions are too complex and vary between rights. Bringing the provisions for trade marks and design rights into line with the provisions for patents is, at least, the minimum step forward necessary in reforming the provisions. CIPA considers that the main issue at the moment is that the threats provisions serve to have a chilling effect by preventing rights holders from writing private letters before action setting out their intents to primary infringers.

It should be borne in mind (as discussed later) that it is generally the case with all rights, that a party can assert them without that giving rise to a counterclaim, unless such assertion is an abuse of process – and the Courts have developed rules for addressing when it is an abuse. The issue here is a concern where the person threatened does not have the primary interest in defending the right to sell and may be deterred from selling a competitor's product because it is "not worth the hassle". However, there needs to be a better balance between the rights holder who has a bona fide case and wishes to start correspondence with an infringer and the rights of a competitor against the unfair use of an IP right to damage its business. It would be in accordance with the Pre-Action Protocols, for there to be a platform from which meaningful pre-action discussions can take place, with a view to avoiding litigation if possible, and without an unnecessary burden on the IP rights owner in seeking to open and carry on such discussions.

The threats provisions currently are, in general, perceived as being too complicated and cause considerable expense for the rights holder in complying with them. The language used in threats in many cases, whether actionable or not, leads to recipients of many potential threats not understanding what they have to do in response, or what impact the

potential threat has. The reactions of recipients of potential threats (including notifications) range from those who do nothing and then profess to be “astonished” when proceedings are started, to those who respond to a notification or “threat” in the prescribed form, to those who cease their activities.

Indeed, the need to draft letters using particular language to ensure that a letter to a potential infringer is within the “safe-harbour” provided by the current provisions represents a significant additional cost to clients, and is most likely to leave an (unadvised) recipient confused. Further, in all likelihood, unless experienced in dealing with the threats provisions, any letter received by a lay person from a law firm could well be perceived to be a threat regardless of the wording.

Question 2. Do other problems exist? (7.92)

YES

CIPA considers that changes are necessary to simplify the system to make it more straightforward for rights holders to write private letters to (potential) infringers and to engage in meaningful discussions with them, free from fear of a subsequent threats action. This is particularly so when the approach was made with all good faith to arrive at a solution which did not involve bringing the matter before the courts. In their current form, because the state of mind of the alleged threatener is not taken into account, people attempting to resolve commercial disputes in an honest fashion are deprived of the opportunity to do so.

This issue is particularly so where IP rights are held by small enterprises without significant financial reserves. This is because large companies can start an action first. Therefore the SME, instead of starting in litigation in the PCC with its limited costs regime, the SME may find itself in the High Court with no such protection unless a transfer is ordered (and the costs cap will not apply to those pre-transfer costs). The threats provisions as they stand therefore cause an imbalance in the playing field which should be addressed.

Some experience from practitioners is also that larger companies are more willing to “take a risk” on threats actions, and therefore this further tilts the field against smaller businesses – which, when it comes to litigation costs, are likely to be more risk averse.

Question 3. Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

AGREE

CIPA considers that protection against groundless threats should be maintained. This protection serves a valuable role in ensuring that a rights holder does not use the presence of its right to shut down a competitor (potentially by targeting its supply network, rather than addressing the primary infringer). This is clearly not a fair use of the right by the rights holder. The threats provisions also encourage (albeit only amongst the practitioners which know about them) best practice of investigating the rights holder’s case, prior to sending a warning letter.

The provisions should be liberated, however, so as not catch the opening of free and frank private discussions with primary infringers before litigation is commenced. The alternative to liberation of the current provisions would be to write new legislation, akin to the laws of unfair competition in other European countries. Although many enterprises are happy working within the current framework, these are often the experienced users. It is acknowledged that the current framework is complex and charting a course through the provisions can absorb

significant time and effort. Any further amendment of the current provisions must be carefully considered to ensure that they do indeed result in a simplification of the current situation.

Question 4. If so, should this protection continue to apply to unregistered design right? (7.92)

YES

*To the extent that unregistered designs (“**UDR**”) are akin to copyright and that the infringer needs to be put on notice, then it is illogical for there to be threats provisions in relation to unregistered design rights. However, there are differences between UDR and copyright. Many UDRs relate to all or part of a functional article: so there are issues of subsistence which will be relevant to assessing infringement. Whereas, in relation to copyright, most infringements relate to the taking of direct copies – although there are some cases where there are issues as to how far the copyright extends.*

If a dispute is likely to encompass both registered and unregistered designs, then it is helpful that the same regime applies to both rights. Otherwise letters before action are likely to become even more convoluted as they try to steer a course through the different threats provisions.

We also accept that mischief can be done at trade shows by alleging infringement of any intellectual property right. Further it must be remembered that the Intellectual Property Bill 2013 contains provisions to make design infringement a criminal offence. Although this does not currently apply to unregistered design rights, if this is implemented without further amended, then threatening anyone with criminal sanctions will have an even more detrimental effect than threatening them with civil sanctions.

Question 5. Do consultees agree that the law of groundless threats actions should be reformed?

AGREE

CIPA agrees that the law of groundless threats actions should be reformed.

CHAPTER 8: AN EVOLUTIONARY APPROACH

Excluding threats to those who intend an act of primary infringement

Patents

Question 6. Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

AGREE

CIPA agrees that, if the current provisions are amended rather than replaced, section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who intend to make or import a product for disposal or to use a process. However, the problem with the wording of section 70(4)(b) is not just in relation to someone who intends to make or manufacture. That person may also already be making or manufacturing, but the wording of s 70(4)(b) seems only to exempt product made or imported at the date of the letter and reference to future product may not be exempted.

The rights holder should be able to contact a primary infringer, without having to worry about whether product has actually been manufactured or imported. In making that contact, the rights holder should be able to deal with all potential issues, including future sales of product which may be made or imported between the first letter and resolution of the dispute. As currently drafted, the rights holder has to leave some aspects of what it wants in undertakings out of the letter before action, but such matters would be included in any subsequent litigation. If the rights holder has correctly identified the primary infringer or honestly believes that the person to whom they are writing is a primary infringer, then this is not a situation where the rights holder will be damaging business by communicating with customers. So the entire content of such communications should not be capable of giving rise to actionable threats. The party who intends to make or import a product for disposal or to use a process has a responsibility to conduct investigations into what rights it may be infringing. A rights holder that points out that it has a right, and will use it, to a party that either has not conducted appropriate due diligence, or has ignored the right anyway, is acting in a reasonable manner which seeks to prevent the harm caused by the third party performing the intended act (at which point it would have been able to make the threat without fetter).

Indeed we believe that this should be extended more broadly. One of the problems arising from the current provisions is that the undertakings which are sought from the potential infringer, in order to fall into the safe harbour under the Act, must be limited to undertakings “not to supply products manufactured or imported ...”, which leaves a potential infringer with the option to buy in the items from another party and to supply them. It makes the requested undertakings look weak and have obvious gaps; it should be sufficient that if a party is manufacturing then they can be asked to stop manufacturing or selling the products manufactured or equivalent products, even if they would then sourced from elsewhere, thus turning that party from a primary infringer into a secondary infringer.

Extending the 2004 reforms for patents to registered and unregistered design rights and trademarks

Registered and unregistered design rights

Question 7. Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?

AGREE

CIPA agrees with this proposal of the Law Commission. There is nothing that should distinguish, at least in the vast majority of instances, the permitted behaviour of a rights holder simply based on the right, at least where the activity in question is essentially the same type of activity.

*In relation to the proposed wording, CIPA wishes to point out that only exempting threats in relation to “anything else in relation to **that** product” – will lead to the same issues identified at question 6 above. **THAT** product will be the product which has already been made or imported. Wider language should be found. We deal with this further in response to question 8.*

Question 8. If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?

AGREE

CIPA agrees that the provision should exempt such a threat. The possibility that it is not a threat if the statement relates to import, but then to be an actionable threat insofar as it relates to additional acts performed by the same party relating to the same article, goes against common sense. Such a situation serves only to impede the possibility for frank private discussions between parties.

Question 9. Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?

YES

The reasons for the threats provisions are to prevent a rights holder from interfering with the competitor's customers. This does not apply to a designer. Therefore CIPA can see no reason why a letter to a designer about registered design rights (or unregistered design rights) should be actionable.

Trade marks

Question 10. Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?

AGREE

CIPA agrees that the exemption should be extended, if the Commission proposes to amend rather than replace the current provisions, to match that provided for patents (or something equivalent to this – note that we have some concerns about how the patent provisions work at present), so as to simplify the law in the area by ensuring, as far as possible, that it is consistent between different rights. Furthermore, the acts of infringement which are exempted should not relate only to the primary act (of applying the mark) but also to additional acts performed by the same party (for the reasons noted in response to question 8 with regard to patents).

The law should also be clarified in relation to what amounts to the primary act of infringement. For example there is case law in relation to the criminal offence of trade mark infringement that “applying” the mark means physically affixing it to the goods, and does not include selling the goods, for example on an Internet web site, by reference to the mark, even where the Internet “branding” is the first time that the mark is used in relation to the goods.

This issue is potentially a more general one where a party is using a trade mark as their business name or, for example, as a banner on their web site, or in a relatively non-specific manner on their web site.

Question 11. If so, should the provisions exempt a threat, made to a person who:

- (1) has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or
- (2) has imported goods to which the mark has been applied or to their packaging (or intends to do this),

where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?

YES

CIPA agrees that the provision should exempt such a threat. The possibility that a letter may contain something which is not an actionable threat if the statement relates to import, but then to be an actionable threat insofar as it relates to additional acts performed by the same party relating to the same article, goes against common sense. Such a situation serves only to complicate the law of groundless threats and prevents reasonable discussions between parties.

Question 12. Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.

AGREE

We have identified several different issues here. We are not aware that there is evidently an issue with the current exemption in relation to services, and we are concerned that a more limited exemption will make approaching users of a mark in relation to services much more complicated, as it may often be difficult to identify the commercial origin of the services. This could be overcome if the exception to the exemption only applies in relation to services where the commercial connection is shown in conjunction with the advertising of the services under the mark. The now widespread provision of services over the internet makes this an area where we would be concerned if there were restrictions introduced, as it will often be very difficult to identify from internet advertising who the principal commercial interest resides with.

On the other hand, we note that there is a practical consequence of there being no exception to the exemption for threats in respect of the provision of services under the mark: that is that rights holders with broad rights will on occasion use the exemption in order to make what would otherwise be potentially actionable threats in respect of use of a mark primarily in relation to products, by alleging that such use (for example in a business name on a web site) amounts to use in respect of retail services. This has the risk of confusing potential recipients even more than referring to their use simply in relation to the product.

*We also note that the exemption does not clearly apply to the offer of services under the mark, but only to the actual supply of services under the mark (see *Best Buy v World Wide Sales* [2010] EWHC 1666). This should in any event be rectified, by making the position absolutely clear.*

Protection for legal advisers

Question 13. Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?

AGREE

CIPA approves of the proposal to remove legal advisers acting on behalf of clients from being sued under the threats provisions.

CIPA recognises that not all respondents will agree. There are specific circumstances when the rights holder may not have the resources to recompense the complainant for damage which has been done to their business by an ill-informed legal adviser. But these circumstances are rare. So to the extent that the Law Commission does decide to retain some liability, which CIPA does not believe it should, then it should be restricted to circumstances where no recompense is available from the rights holder. CIPA considers that instead of a threats action, this should be a professional conduct point, but not to be taken while litigation is on-going.

Legitimate approaches to secondary infringers

There can be real benefits in allowing a rights holder and an alleged secondary infringer to discuss their differences openly and without fear of incurring liability under the threats provisions. Litigation and disruption to business could be avoided or a valuable stream of revenue acquired through the grant of a licence. The current exemptions for mere notification of a right or the provision of factual information are not satisfactory. The difference in the effect on the recipient of a notice or the factual information and that of an implicit threat may be vanishingly small.

We recognise, however, that by permitting certain types of approaches to a secondary infringer to be made this may introduce a risk of abuse. A threat could be “dressed up” in the guise of legitimate communication. We consider therefore, that an important check on the potential for abuse would be to require that the communication must be made in good faith.

Mere notification and factual information

Question 14. Do consultees agree that there should not be a general exemption for the mere notification of a right or the provision of factual information?

DISAGREE

CIPA considers that there should be a general exemption for the provision of factual information, but that what is necessary is the further definition of what is covered by the term “factual information”, at least in the notes accompanying the legislation, to provide a guide for what assertions can be made without falling within the threats provisions. It should be noted that in order to recover damages, a patentee is obliged to ensure that there is notification that a patent protects its product. So indicating patent numbers in relation to products should never become an actionable threat.

In practice “mere notification” provisions do provide a mechanism by which rights holders can overcome a defence of innocent infringement. However, we question whether it should not be permissible to make a more substantive mere notification provision where it is clear that the rights holder is not threatening infringement proceedings, but is alerting the potential infringer to the existence of the right and therefore the need for specific advice. We recognise that there is a risk that some recipients will say that they do not want the hassle. On the other hand, experience is that “mere notification” often leaves the unsophisticated business no wiser as to what if anything they should do, and it is appropriate that they should be guided to the risks of misusing third party intellectual property rights. A notice in a specified form could perhaps be exempt, such as: “This notice is provided to you because it appears to the rights holder that it may be relevant to your activities. The rights holder is not asserting by this notice that your activities are in breach of its rights. However, you may consider that you should review the position and possibly seek legal advice if you are in any doubt.” As has been stressed by the courts, the concern is that the question of what is a threat is one which is not clear cut and legal advisors have often been conservative about what is completely “safe”.

Enquiries to track down the trade source

Question 15. Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade marks and registered and unregistered design rights?

AGREE

CIPA agrees that the provisions exempting enquiries should be extended, to match that provided for patents, to provide the holders of trade marks and registered and (if retained) unregistered design rights with the opportunity for identifying the source of the infringement. It is in the interests of procedural efficiency in that it allows the primary infringer to be identified more quickly, and so minimise the damage suffered by the rights holder.

We do however have serious reservations about the effectiveness of the patent provisions on enquiries about a trade source, and which involve the disclosure of information which the trader regards as sensitive. Furthermore, they lead to advisors having to write convoluted letters which are almost incomprehensible to potential infringers. We believe the patent provisions need further more considered review if they are to be extended to other rights.

Question 16. If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?

YES

CIPA agrees that the exemption should be revised and that it should clarify what assertions can legitimately be made about the right, at least in providing a non-exhaustive list of what might be said. Many of the problems in the law of groundless threats at present stem from the lack of clarity about what may and what should not be said in a letter to an infringer. The legislation, or at least the accompanying notes, should provide a framework in which parties can operate. Setting out what is permissible will represent a significant step forward, and will also ease the burden on parties because it will not be necessary for legal advisors to engage in such careful drafting of letters before action to ensure that neither they nor their clients are caught up in a threats action.

Question 17. If so, should assertions about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question? (8.62)

YES

This question begins to provide a good framework for what assertions can be made. Items (1), (2) and (3) are essential to identifying the rights in issue and confirming their status. Items (4) and (5) are open to interpretation and as such could serve to preserve confusion regarding what action is permitted within the exemption.

Item (4) and the inclusion of the right are important. There has been case law where a solicitor has not set out limitations on a registered trade mark and that omission can be misleading as to the right being asserted. Enclosing copies of the right may also be helpful.

When it comes to making an assertion, then item (5) becomes a little more troublesome as this begins to involve the setting out of an infringement case and not there mere assertion that the proprietor has the right.

Question 18. Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?

OTHER

Patents are not just for products which are put on the market. Sometimes a patentee may need to know more about what has been offered to a retailer or what process has been used or offered for use. So in those circumstances, the patentee will need to make further enquiries in order to work out whether infringement has taken place. Indeed one of the areas where there are specific problems is where a trader starts promoting a product but it is not yet on sale (or it is an expensive product which cannot reasonably be trap purchased, or the product in question is potentially the subject of a process patent and the question is what

process has been used). The ability to obtain more information about this in order to determine whether there may be an infringement is potentially a valuable basis for (a) avoiding unnecessary disputes where there is no infringement; and (b) getting in early so that the trader is not already invested in the market and more reluctant to leave it (which means that litigation is more likely).

Notifications to those with an innocent infringement defence

Question 19. Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?

AGREE

CIPA agrees that this should not be a threat. This is because once the previously innocent infringer has been made aware of the right, they can no longer be considered innocent. Thus the rights holder will be able make use of remedies that would not otherwise have been available to it if infringement continues beyond when the factual information was provided. If this exemption was not available, then again it could impede the actions of a rights holder, that might decide not to make the innocent infringer aware of the right in case the rights holder becomes embroiled in a threats action. As noted previously, however, guidance needs to be provided with regard to exactly what constitutes factual information in this situation. As noted above, it would potentially be valuable to make clear to a trader why the information is being provided as long as it is apparent that there is no immediate threat attached to doing so; otherwise the trader may simply go on trading without understanding the risks from doing so, with the risk of future litigation.

The Law Commission has identified certain circumstances where damages may not be recovered from an innocent infringer for patents. However, the Law Commission should note that s60(1)(b) and s60(2) also have a requirement for knowledge as part of the act of infringement. So there are circumstances where a primary infringer has to be fixed with knowledge prior to the issue of the claim form.

If the Law Commission continues with the current legislative framework, then when framing this section, the Law Commission should bear in mind that an unadvised recipient of such a letter will not necessarily know the provisions relating to innocent defences and therefore would not understand why some actions could be notified and not others. There is a risk of the law becoming completely entangled in order to cover all situations.

Question 20. If so, should factual information about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, or registered or unregistered design rights and the product, process, mark or design in question? (8.73)

YES

See answer to question 17.

Negotiations over licence terms

Question 21. Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?

NO

We do not think that such communications should automatically be exempt. The primary reason is that, just as the trader has less incentive to defend an infringement action, so too they have less incentive to resist payment of a fee for remaining in the market, and this still places the manufacturer or primary economic interest owner at a potential disadvantage. If there is a bon-fides test then such an exemption may be reasonable. It is worth noting that, in any event, it should be possible to discuss licensing while making it clear that there is no intention to bring legal proceedings against the potential licensee if they do not agree to a licence.

Question 22. If so,

- (1) when should it be legitimate to make such a threat?
- (2) Is a specific defence required? (8.76)

See above under question 21.

Question 23. Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions? (8.76)

YES

Threats where the “secondary” infringer is in fact the primary economic interest holder – though there may be some difficulty in defining this. An example however is where a distributor is in fact responsible for specifying the design which then infringes. Anecdotally, we have evidence of difficulties produced in this case in both directions: where the threats were made against the manufacturer, rather than the distributor.

Threats in relation to users of business names – who are probably primary infringers, but it may not be clear that that is the case.

A requirement of good faith

Question 24. Should a good faith requirement apply to the three specific defences, which are set out above?

OTHER

CIPA agrees that a good faith requirement could be useful, but would prefer to see this as part of a completely new regime, which is less detailed about what acts can and cannot be performed, rather than an extra hurdle which to be bolted onto the current regime.

Without a requirement for “good faith”, the façade of intention to enter into licence agreements, or to notify or track down trade sources could be used merely to be a way of serving to strangle the supply chain of a competitor performing the primary infringement without even contacting the primary infringer (and so avoiding the costs of litigation in forcing

the competitor from the market). However, this needs to be approached with considerable care, as it is not altogether clear what the basis of the “good faith” would be and an enquiry into “good faith” might add considerably to the costs of any subsequent litigation. For example if licence negotiations break down and there is no prior record of the rights owner licensing third parties, is the rights owner at risk of a claim of lack of good faith? If such a provision is introduced it needs to be one which can effectively be relied upon otherwise it will make the provisions exempting certain forms of notification expensive to operate and potentially of little value.

Enquiries into “good faith” potentially deprive the rights owner of privilege in communications with the lawyer in pre-action advice. If it is still possible to sue to the lawyer, then without client’s consent, the lawyer will not be able to produce any of that advice and will be unable to show that there was “good faith”.

Threats to the secondary infringer where the primary infringer cannot be found

Question 25. Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?

AGREE

CIPA agrees that the provisions exempting enquiries should be extended, to match that provided for patents, so as to simplify the law in the area by ensuring, as far as possible where this is relevant, that it is consistent between different rights, and to facilitate the identification of the primary infringer. Once the source of infringing articles has been identified, then the infringement may be stopped by one letter or legal action, rather than the potential need to commence actions against multiple secondary infringers if the identity of the primary infringer cannot be determined.

Question 26. If so, should the provisions state that:

- (1) A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?
- (2) That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?

OTHER

CIPA agrees with the general sentiment of the proposed provisions, but notes that the language set out in the proposed exemption is that the recipient should be notified of “all practical steps”. The language in section 70(6) of the Patents Act 1977, however, specifies that the recipient of the threat should be informed of the “endeavours used”. As far as possible, the same language should be used in the threats provisions, to remove the complexity that results from different provisions applying to different rights.

We also have concerns that the test of “all practical steps” is extremely difficult to evaluate in practice, and that a lower burden such as “all reasonable steps” – and perhaps indicate that reasonable has reference also to the value and extent of the infringement. As an example, does taking all practical steps in relation to a patent infringement extend to carrying out analysis of the product to seek to determine where it has been manufactured, and possibly

to determine with what materials so that the source of manufacture can be ascertained; or dismantling a complex product to determine whether there is any internal marking which would indicate its source? And indeed should it require anything other than steps taken in relation to the trader such as asking the trader?

Invalid patents - the “good faith” defence

For patents, a claimant in a threats action will not succeed where the threatener shows that at the time of making the threat it did not know and had no reason to suspect that the patent was invalid. We think that the defence is unsatisfactory. In particular this is because a threat in respect of an invalid patent can still cause loss; the risk that the right is invalid should fall on the threatener and not the party who incurred the loss. Also, the defence denies the claimant all remedies including a declaration that the patent has not been infringed and an injunction to stop the threats. As the defence arises at such a late stage in a dispute it will not protect a genuine rights holder from having a threats action brought against them.

27. Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed? (8.86)

OTHER

CIPA does not agree that the current “good faith” defence should be repealed, if the current provisions are maintained. However, having said that, it does depend on the context of the rest of the provisions.

The issue with the threats provisions is that of striking the balance between the rights holder and the alleged infringer. If, as a starting point, the rights holder believes the right to be valid and infringed, it has a number of options. It can start proceedings and avoid any risk of being found to have issued an unjustified threat, or it can start to negotiate to see if litigation can be avoided.

Within the context of the current provisions, a threat may be made to a primary infringer in respect of certain acts, without fear of repercussions under this section. However, if the letter goes beyond products made or imported (for patents), then that threat may start to become actionable.

So if actionable threats relate to the communications of other commercial parties who may be a secondary infringer or may be the primary commercial interest.

Today, with the ever increasing amount of information being generated, it is not possible for a patentee to be aware of every single piece of prior art available before the priority date, despite its best efforts. For example, where the prior art is use by the infringer before the priority date, then that information will be wholly within their knowledge. A good example of a case where the patent was revoked over use which the patentee had no means of knowing about is the Windsurfer case. It won't be known to the patent owner or to the legal adviser.

It is fair that a patentee that knows that his patent is invalid in the regard that it is subsequently found to be invalid is exempted from the threats defence. However, if the patentee genuinely believed his patent to be valid and it is found at trial to be invalid, then CIPA does not believe that the patentee should be penalised for issuing threats prior to proceedings being commenced.

The question is also relevant as to whether legal advisers continue to remain liable for issuing threats on behalf of their clients. Unless a clear route is provided to enable the legal

adviser to write to the other side without generating the risk of proceedings against him/herself, then this also impedes the start of pre-action negotiations.

If the aim is to get pre-action negotiations started, then repealing this section is unlikely to help. If the aim is simplify the provisions, then this will remove one further point of complication.

Here, it can usefully be noted that once the patent has been found invalid and revoked, it will no longer be possible for further threats to be made on the basis of the patent. Furthermore, the rights holder will also already have been penalised by being forced to pay the costs of the litigations.

CHAPTER 9: A WIDER APPROACH?

There are several gaps in the protection offered by the threats provisions. The provisions do not apply where proceedings are issued before a threat is made. They do not apply to notifications that fall short of a threat, but which may still have a detrimental effect. They do not apply to threats to sue for a related right, such as passing off. Finally, they do not cover threats to sue in respect of a Community right where proceedings will be brought elsewhere in the EU.

Question 28. Are problems caused in practice by the failure of the groundless threats provisions to cover:

- (1) Cases where court proceedings are issued prior to a threat being made?
- (2) Allegations which fall short of threats?
- (3) Threats to sue for a related cause of action, such as passing off or breach of confidence?
- (4) Threats to sue elsewhere in the EU? (9.10)

OTHER

- (1) *The original reason for the threats provisions were that the patentee was waving the patent around, but had no intention to litigate. If litigation has started, then this is no longer the relevant mischief. The question of whether court cases themselves cause damage is not limited to intellectual property, and the courts already have jurisdiction to address this position as an abuse, if that is the case. There is no reason to vary from the more general rule for infringement of intellectual property rights.*
 - . *Where there is uncertainty as to the outcome of any case and costs being incurred and potentially damages being awarded, then this will cause damage in business. IP rights are economic rights. Damage is caused to the IP rights holder on their being infringed. Damage is caused to a competitor when they are in dispute with the IP rights holder about those rights. The questions themselves are complex and currently recompense is in costs. The question is whether there should be any new remedy where it turns out that the IP right was not valid or not infringed, or whether this is just part of the vicissitudes of doing business.*
 - . *If the failure of the threats provisions to cover this situation is seen as a problem, then the problem is being redefined. Care should be taken then to identify what the mischief is, otherwise this will creep in all directions. Is the mischief the damage caused by the Government granting an IP right, the IP right holder seeking to enforce that right, there being a genuine dispute and the IP rights holder ultimately failing? If so, then are costs not a sufficient remedy?*
 - . *Or is the mischief to do with the threatening others with IP litigation, when the rights holder had no intention of litigating? Owning a right and seeking to enforce it cannot be defined as prima facie abusive behaviour, even if rights holder eventually loses.*
- (2) *There is little doubt that such allegations can have an equally damaging effect on the primary source. The trader may well take that view that they cannot be bothered with the possibility of a claim, or investigating it further. Our view is that, if a sui generis right in respect of wrongful (bad faith) assertion of an intellectual property right were introduced, addressing this should be considered. However, as is apparent from the discussion above, there is a balance to be drawn between the rights holders right to make clear that they have a bona fide right, and the "source" to avoid having their business unduly interfered with. It is probably never possible to find a perfect balance,*

and in this context, we do not think that the existing provisions should be extended beyond a credible threat of legal proceedings being brought.

- (3) While the existing provisions on threats have been difficult to give predictable advice to clients or to provide a clear assessment of risk, the possibility of relying on alternative **rights** has been very helpful where the threats provisions have been too restrictive. Just because one cause of action lies in a different IP right, this is not reason to stop threats being issued in passing off or copyright infringement. The real question is to determine whether there has been real damage to the competitor by the threatener having no intention to litigate. In many cases of passing off (although not all), the trader is likely to be the “source” in the sense that they will be creating the confusion themselves. This particularly applies to the somewhat unclear area, where the mark is “applied” by the trader in the sense of being used in their advertising etc., and this may not amount to application for the purpose of the trade mark threats provisions. Similarly, in relation to copyright, the distributor may well have at least as substantial an economic interest as the original source (while the retailer may well not, but we are not aware of retailers being threatened in this context other than where it is overwhelmingly likely that the product is an infringing (eg counterfeit) product.
- (4) CIPA is unaware of how much of a problem this issue is in day-to-day practice. This is a serious question which needs to be considered. First, the threats which the Law Commission refers to may not have been made by an English lawyer. So that person could not be expected to know the UK law and was not trying to bring proceedings in the UK. The question will then be one of Luxembourg law in relation to unjustified threats. Although some of this might be dealt with at a European level, in fact the problem is fully international as the threat might also have been made in respect of sales into the USA. Further, unitary patent protection is expected to start in 2015. Jurisdiction for both unitary patents and for national patents granted by the EPO will shift to the Unitary Patents Court. There are no provisions in the Unitary Patent Court agreement about unjustified threats. However, this is the court which will have jurisdiction over infringement and validity disputes relating to all patents granted by the EPO (except where a transitional opt out applies). So consideration is required as to how this will mesh with the threats provisions for patents in the UK. If a threat is made to bring patent proceedings, without stating where they will be brought, will they be actionable? If the proceedings are subsequently brought in the UK local division or in that part of the Central Division which is in the UK, then can separate threats proceedings continue in the High Court or PCC, even though the issue of infringement and validity will have to be decided in a different court on a different time scale?

In fact, this issue might be seen as a good reason for repealing the specific threats provisions and introducing a more general unfair competition law based on international treaties which are more likely to be familiar to lawyers on a world wide basis.

Question 29. Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed? (9.10)

OTHER

An additional/alternative approach to finding out the manufacturer or primary interest could be adopted: primarily this is about either the addressee identifying the next point in the supply chain (and ultimately the importer, manufacturer, person with the primary economic interest); and secondly with addressing the concerns of the person threatened that they

should not need to disclose confidential supply information which might be misused. A simple(-ish) formula for this could be: the rights holder is entitled to request information in a prescribed form; the potential infringer does not have to respond (that is made clear), but should notify the person down the supply chain of the request, require them to provide the information in the same manner, and confirm (under a statement of truth) that they have done so. In that case the person down the chain cannot object if they suffer detriment from the threat being made more aggressive to the initial potential infringer because they have not responded;

It may also be appropriate to consider that, if the information is requested in the prescribed form, it is protected in the same way that a disclosure in proceedings is protected – and possibly that the prescribed form says this.

If this could be added to the existing framework, threateners would not have to seek legal advice, but there would be a straightforward mechanism for someone to obtain the requisite information without risk.

The gaps in the protection offered by the threats provisions could be addressed by creating a new tort of false allegations. The elements of the tort would be an allegation that relates to the infringement of a patent, trade mark or design right; that is made in the course of trade; and tends to discredit the establishment, goods or activities of a competitor.

Question 30. We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor. (9.46)

CIPA considers that the creation of a new tort would provide the advantage that the law would be simplified because the same standard would be applied across all forms of IP right, and negates the need for exemptions to be set out for specific rights in the statute (assuming that the new tort would replace the current threats provisions, and is not intended to apply concurrently).

The threats provisions have been noted above to be complicated and to vary significantly between different types of rights, and the concern is that further modification of the current provisions will serve only to convolute things further. Any further amendment of the provisions should therefore have as their objective the simplification of the system, both in terms of ensuring that honest letters before action can be sent without the person sending the letter being caught up in a threats action, and to ensure that the recipient of that letter understands the position that he is in.

There would, of course, be initial disadvantages to the new tort, as would be expected from an upheaval in the current legal framework. In particular, this is likely to lead to increased costs, and, more importantly for users of the system, increased uncertainty, at least until sufficient case law had been built up to allow legal advisors to be able to explain to their clients how they should act. In the longer term, however, it is likely that the new system will provide a better framework, allowing reasonable letters to be written, but still providing protection for those parties who may be targeted by an unscrupulous rights holder attempting to undermine a competitor's supply chain. For this reason, a more thorough investigation into the economic impact of the proposed new tort should be considered.

THE FINANCIAL IMPACT OF REFORM

Question 31. We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes. (10.5)

They present quite real obstacles in being able to open dialogue on potential infringement, and how this distorts the field for smaller players. Compliance with the provisions costs clients money, every time there is a risk of those provisions being engaged. The more complicated the provisions, the longer it takes to consider them in relation to the proposed activity or to come up with ways around them.

Question 32. We welcome evidence from retailers and others about:

- (1) the frequency of threats concerning patent, trade mark and design rights infringement; and
- (2) how they react to such correspondence. (10.5)

LEFT BLANK

The evolutionary approach: costs and benefits

Question 33. We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers. (10.12)

If done in an effective way, it could well reduce trading and enforcement costs and also make it more likely that more disputes would be disposed of without the first stages of litigation. If it is done in a complex way it may well increase overall enforcement costs before action is brought. The reason for this is the need to step around the specific provisions and provide client advice on each stage, as well as the risk that some disputes end up in litigation that might not otherwise have done so.

On the other hand, there are many users who consider the threats provisions as they relate to patents to be overly complex and unwieldy. Replicating these provisions for other rights forms may not be the optimal approach for addressing the threats issue.

Question 34. Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of engaging an adviser to act and to draft pre-action correspondence? If so, by how much?
- (3) It would reduce the number of cases litigated? If so, how many cases might be affected?

OTHER

This depends how it is implemented. Any legal reform has a cost impact, as those advising need to train in the new provisions. Further, any lack of clarity in the law is likely to bring the cost of new litigation, until a body of case law has built up. As the world becomes more complex and the parties argue as to whether it was the rights holder who was abusive or the infringer who has misbehaved, finding a balanced response is not easy (not the changes over legal aid reform first to deal with abusive insurance companies and now to deal with fraudulent claimants). Overall, a less complex regime must lead to lower running costs. Ideally the sort of reform would be one which accords with what a business would regard as a fair and reasonable practice, and therefore could be something that the parties can read

and understand for themselves without requiring a trained legal advisor to explain it. Alternatively (or in addition) reform could provide some mechanistic formulae which could be used by businesses to discover relevant information, without the need of engaging legal advisors to acquire that information.

Question 35. We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients. (10.18)

Removing liability from legal advisors would simplify the relationship that legal advisors have with their clients when potential threats liability may arise. This currently automatically adds to costs for a client and often leaves clients somewhat bewildered. For example, when a legal advisor says that they cannot send a letter because of the risk of a threat action being brought against them, the client is puzzled: we thought you were acting for us? The letter may well be taken less seriously by the other party, extending the dispute. The alternative is the legal advisor confirming that they will write the letter on behalf of the client, but for this they may need confirmation that the client will indemnify them if a claim is made (which itself leads to a further need for independent legal advice). Further, if a claim is made it is possible that a conflict of interest may arise and that there may be a need to involve the advisor's insurers. This, evidently, would only add to the confusion.

Removal of this liability should have few (no) adverse consequences as long as the legal advisor complies with their professional duties. If the advisor does not, then the client has redress against the advisor where they have failed to advise properly.

Question 36. Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of legal advice? If so, by how much?
- (3) It would make it easier for small businesses to contact alleged infringers?

AGREE

A wider approach: costs and benefits

37. We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor. (10.22)

See response to question 30.

CITY OF LONDON LAW SOCIETY

Response to the Law Commission Consultation on Patents, Trade Marks and Design Rights: Groundless Threats

The City of London Law Society (“CLLS”) represents approximately 15,000 City lawyers through individual and corporate membership including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multi-jurisdictional legal issues.

The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees. This response in respect of the Law Commission Consultation on Groundless Threats has been prepared by the CLLS Intellectual Property Law Committee.

The CLLS is pleased to have the opportunity to comment on this consultation. We have responded where we believe that the CLLS may contribute or express an informed opinion.

Response

We have reviewed the draft response of the Intellectual Property Lawyers’ Association (**IPLA**) and are broadly in agreement with it, subject to the two specific points set out below. Like the IPLA, we consider that provisions to seek to restrain unjustified threats in IP cases are important, but the current regime needs reform.

The two areas where we diverge from the IPLA are in the area of passing off/copyright and evolutionary or revolutionary reform.

Passing off/Copyright

Whilst we understand the need to put potential infringers on notice under copyright legislation, this can be done without sending a threatening letter. In our view, the “chilling effect” of an unjustified threats letter to a retailer is the same whether or not a registered or an unregistered right is invoked. The retailer will either pull the product off the shelf or

demand wide indemnities from his supplier, both of which can damage suppliers (especially if they are SMEs).

For that reason, our view is that these IP rights should also be subject to unjustified threats provisions. In any event, it seems to us illogical that the UK unregistered design right has such provisions when copyright does not, given the close interaction between the two rights in cases such as footwear or jewellery. Similarly, passing off and trade mark rights often overlap. If passing off and copyright are to remain outside the provisions, then other unregistered rights should as well.

Evolution/Revolution

Our view is that a “revolutionary” approach is to be preferred, along the lines of the Canadian tort of making false or misleading allegations, or a wider tort of unfair competition based on Article 10bis of the Paris Convention. The current law on unjustified threats is somewhat of a hotch-potch and a trap for the unwary. Even with reform, it will remain a complex legal area, which will catch out the unwary or ill advised in circumstances where no real damage may be done. Those who are well advised can still get around it.

In practice, a new tort such as that suggested will be easier to understand so far as the “lay” person is concerned and the courts are well able to decide the kinds of issues that will arise. Whilst there could be a short period of some uncertainty (although we do feel that most lawyers will know if something “wrong” has been done), this would be off-set by the longer term benefits of a tort that is easier to understand and less prone to “clever lawyering”.

17 July 2013

© CITY OF LONDON LAW SOCIETY 2013

All rights reserved. This paper has been prepared as part of a consultation process. Its contents should not be taken as legal advice in relation to a particular situation or transaction.

**THE CITY OF LONDON LAW SOCIETY
INTELLECTUAL PROPERTY LAW COMMITTEE**

Individuals and firms represented on this Committee are as follows:

Joel Smith (Herbert Smith Freehills LLP) (Chairman)

R.T.J. Bond (Speechly Bircham LLP)

Ms S. Byrt (Mayer Brown International LLP)

C. Chitham (Axiom Law)

Ms G. Collins (Lawrence Graham LLP)

S. Gare (Greenberg Traurig LLP)

M. Knapper (Norton Rose Fulbright LLP)

Ms R. Lawrence (Powell Gilbert LLP)

S.R. Levine (DLA Piper UK LLP)

I.C. Lowe (Nabarro LLP)

R. Mallinson (Taylor Wessing LLP)

Ms V.G. Marsland (Clifford Chance LLP)

Ms S. Middlemiss (Slaughter and May)

Ms C.M. Smith (Rouse Legal)

I. Starr (Ashurst LLP)

R. Swindells (Field Fisher Waterhouse LLP)

P. Thorton (Hogan Lovells International LLP)

Response #: 6

**Groundless Threats:
Completed Response**

Name:	George Hamer
Category:	Lawyers
Email:	[REDACTED]
Address:	[REDACTED]
Telephone	[REDACTED]

Confidential: Off	
-----------------------------	--

Question <u>1)</u> Have the problems with the current law been correctly identified?
<u>Response:</u> Yes
<u>Comments:</u>
Question <u>2)</u> Do other problems exist?
<u>Response:</u> No
<u>Comments:</u>
Question <u>3)</u> Do consultees agree that protection against groundless threats of infringement proceedings should be retained?
<u>Response:</u> Yes
<u>Comments:</u>
Question <u>4)</u> If so, should this protection continue to apply to unregistered design right?
<u>Response:</u> No
<u>Comments:</u>
Question <u>5)</u> Do consultees agree that the law of groundless threats actions should be reformed?
<u>Response:</u> Yes
<u>Comments:</u>
Question <u>6)</u> Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be

extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?
<u>Response:</u> Yes
<u>Comments:</u>
Question 7) Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?
<u>Response:</u> Yes
<u>Comments:</u>
Question 8) If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?
<u>Response:</u> Yes
<u>Comments:</u>
Question 9) Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?
<u>Response:</u> Yes
<u>Comments:</u>
Question 10) Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?
<u>Response:</u> Yes
<u>Comments:</u>
Question 11) If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?
<u>Response:</u> Yes
<u>Comments:</u>
Question 12) Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to

brand the services using the mark.

Response: Yes

Comments:

Question 13)

Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?

Response: Yes

Comments:

Question 14)

Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?

Response: Yes

Comments:

Question 15)

Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?

Response: Yes

Comments:

Question 16)

If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?

Response: Yes

Comments:

Question 17)

If so, should assertions about the right include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Yes

Comments:

Question 18)

Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover

“whether” a right has been infringed?
<u>Response:</u> Yes
<u>Comments:</u>
<p>Question <u>19</u>)</p> <p>Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>
<u>Response:</u> Yes
<u>Comments:</u>
<p>Question <u>20</u>)</p> <p>If so, should factual information include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders’ patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<u>Response:</u> Yes
<u>Comments:</u>
<p>Question <u>21</u>)</p> <p>Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<u>Response:</u> Yes
<u>Comments:</u>
<p>Question <u>22</u>)</p> <p>If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<u>Response:</u> N/A
<p><u>Comments:</u></p> <p>(1) When the primary infringer cannot be identified after all practicable efforts have been made to do so, including in particular having sought the identity from the secondary infringer concerned.(2) Yes.</p>
<p>Question <u>23</u>)</p> <p>Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<u>Response:</u> No
<u>Comments:</u>

<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>

Question 30)

We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

Firstly, any such law should surely require malice (i.e. the threats made knowing or being reckless as to whether there was no valid claim) or an objective test of reasonableness. However, the attraction of a specific threats regime of the kind which already exists (but badly needs amending) is that it should be possible for a rights holder to know exactly what he can and cannot do in asserting a claim as well as what he must do before making the claim so as not to be penalised in costs at a later date. Unless that can be achieved with a new general tort of the kind envisaged, honest, reasonable rights holders will still have no clear guidance as to what they are expected to do and not to do. There would be likely to be a whole new raft of cases where the rights holder (or his solicitor?) is penalised for doing what might appear to have been reasonable to the average consumer.

Question 31)

We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.

Response: N/A

Comments:

This may be more the experience of solicitors, but from my point of view, in general, the safer advice at present would seem to be to bring proceedings and trust that the rights holder would not be penalised in costs later on. Whilst reducing the pre-action costs, which may be commendable, in that they often hamper the chances of settlement), it may not in fact promote the chances of settlement because the alleged infringer resents not being given a chance to cease his activities without proceedings, which may well cause him to dig in his heels.

Question 32)

We welcome evidence from retailers and others about:
the frequency of threats concerning patent, trade mark and design rights infringement; and
how they react to such correspondence.

Response:

Comments:

N/A

Question 33)

We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.

Response: N/A

Comments:

In my view the threats provisions should apply only to registered rights. The recipient can inspect the registration (and seek advice in relation to it) to get a reasonable idea (regrettably these days not much more than that) of the rights protected. If they are to be applied to some unregistered rights (such as design rights), it is illogical not to apply them to other unregistered rights such as copyrights and goodwill (passing off). The threats provisions are essential to prevent rights holders from severely inhibiting their competitors' businesses by threatening traders down the line, who are likely to stop selling/supplying rather than risk proceedings (or damages if proceedings are launched). Whilst the definition of "primary infringer" will vary depending on the right, the threats provisions should be uniform and should essentially be directed at threats made to secondary infringers. Perhaps it is not necessary to remark that there is no logical basis for allowing a threat in respect of only certain acts of a primary infringer: presumably that was a fault of the drafting of the section, rather than a conscious policy.

Question 34)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?

It would reduce the number of cases litigated? If so, how many cases might be affected?

Response: Yes

Comments:

As to (3), I am not sure I know what the question means. Every case might be affected, but I could not estimate how many cases there will be if the provisions are amended as suggested above: fewer.

Question 35)

We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.

Response: N/A

Comments:

I am torn on this. A legal adviser may take the view that a claim has a less than 50% likelihood of success: it would be wrong to require him not to send out a letter before action on behalf of his client, who is intent on pursuing the claim. On the other hand, it might be thought unreasonable to exempt a legal adviser who knows that the claim is hopeless (and possibly that his client realises this also). On the whole, I believe that the latter should be and can be dealt with differently, and not by imposing liability on the adviser under the threats provisions. Such bad behaviour (rare, one holes) is as damaging and is at least as likely to occur, in relation to allegations of infringements of unregistered rights.

Question 36)

Do consultees agree that:

The costs of such a reform would be minimal?

<p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>37)</u></p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p> <p>1. As above (answer 30). 2. If such a tort were introduced, it would be sensible to apply it to unregistered trade marks also (i.e. to dispense with the action for passing off - widening the tort in such a way as to cover all existing types of passing off). This would bring UK law more into line with the laws of other European countries.</p>

Response #: 7

**Groundless Threats:
Completed Response**

Name:	Haseltine Lake LLP
Category:	UK and European Patent and Trade Mark Attorneys
Email:	
Address:	Redcliff Quay 120 Redcliff Street Bristol BS1 6HU
Telephone	

Confidential: Off	
-----------------------------	--

Question 1)

Have the problems with the current law been correctly identified?

Response: Yes

Comments:

Question 2)

Do other problems exist?

Response: Yes

Comments:

The conflict with the underlying principles of the Civil Procedure Rules (CPR) is another specific problem. The requirement for a party to provide sufficient information so that the other party can understand its case and for the parties to seek to resolve the matter without proceedings is not consistent with a regime which deters a rights owner from setting out and particularising an infringement claim prior to issuing a claim form. A related problem is the incompatibility of the threats regime with alternative dispute resolution (ADR). The courts actively encourage ADR (and can impose cost sanctions on parties who do not attempt it) and it is difficult to see how a prospective claimant can meaningfully engage in ADR without disclosing its prospective claim and indicating that if settlement were to fail it may commence proceedings. The current regime, particularly so far as rights other than patents are concerned, is not flexible enough to allow for the distinction between threats i) used to intimidate a competitor into stopping what they are doing; and ii) used to interfere with the trade channels of a competitor. In the case of i) the competitor should have the option of seeking a declaration of non-infringement of any IP right, not just patents. In the case of ii) where the interference is (objectively) a result of the threat, this is properly the subject of a groundless threats action. The provisional rights of patent applicants during pendency of the application (Patents Act 1977, Section 69) can often represent half

of the patent life, especially in the case of European (UK) patents, in view of the inherently slow examination procedure in the EPO and the fact that, in the (common) case of applications that have an initial international (PCT) phase, the EPO processing usually does not start until the application is between 19 and 31 months old. Yet the threats provisions do not specifically address this situation, Section 70 (threats) is not one of the sections mentioned in Section 69(1) (provisional rights), and the current state of the law leads to bizarre and arbitrary outcomes as far as threats of infringement of provisional rights are concerned (Terrell, 17th Ed, paragraph 22-28). This issue is largely peculiar to patents, as the pendency terms of other IP rights are much shorter usually. In our experience, patent applicants (especially inexperienced and/or overseas ones) are at least as likely as patentees to issue letters to UK undertakings or individuals that may contain threats of infringement proceedings. There seems no reason why that situation should not be regulated in exactly the same way as the other IP rights, especially as greater uniformity seems to be an aim of the present consultation. As currently framed, the threats provisions do little to further public policy objectives. For example, it is difficult to see that they offer any practical protection to smaller and less well-resourced parties as threats litigation is likely to be no less expensive to bring as infringement litigation is to defend.

Question 3)

Do consultees agree that protection against groundless threats of infringement proceedings should be retained?

Response: Yes

Comments:

Question 4)

If so, should this protection continue to apply to unregistered design right?

Response: Yes

Comments:

We support a general recognition that using a claim to IP rights, whether registered or unregistered, to damage the relationship between a competitor and his customers/contractors in advance of any litigation, is unfair and needs to be restrainable. If it is recognised that it is the abuse of the claim to rights that is the fundamental wrong, then the relevance of a regulation system to unregistered (and pending - see Q. 2 above) rights, which can so easily be claimed without basis, becomes overwhelmingly clear. For that reason, and for consistency and clarity, if threats provisions are retained they ought to apply equally to the full range of IP rights.

Question 5)

Do consultees agree that the law of groundless threats actions should be reformed?

Response: Yes

Comments:

The law does need to be reformed. A common thread of our comments in this document is to focus on the core wrong which is abuse of a claim to IP rights (whether registered or unregistered, granted or pending, valid or invalid,

enforceable or unenforceable). In our view, the current regime has grown complex and unwieldy because it imported considerations of validity/enforceability of the IP rights into the tort of unjustified threats, which then required complex definitions of reasonable behaviour which is not to be actionable, as well as, ultimately, a trial of the validity/enforceability issues. In essence, we suggest replacing the lawyer's view of "unjustified" or "groundless" - which naturally looks at validity/enforceability as a primary issue - with the businessman's view - which naturally looks at the practical damage done by the abuse - to judge whether a threat is "unjustified" or "groundless". If this is done, then in our view the perceived problems of complexity and unwieldiness will fall away. This approach is in line with the underlying aim of threats provisions, that is, to prevent parties using IP rights as a mere tool to damage competitors' businesses without any intention of exposing that right to the scrutiny of the courts. The current regime does not provide a proper balance between the IP right owner and the alleged infringer. For example, it ought to be possible in a number of potential infringement scenarios for an exemption to the threats provisions to apply (which would benefit the IP right owner) and replaced with other protection for the competitor. Please see our answers to Qs 7, 18 and 19 and below, where we offer some suggestions.

Question 6)

Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

Response: Yes

Comments:

We assume that the wording of the statute will define an objective test, for example "those who appear likely on reasonable grounds to make or import a product for disposal or to use a process" or similar wording. To import a test of subjective intent into the threats provisions will create unnecessary complexity and arbitrariness in the operation of the provision. Subject to this drafting point, we agree with the proposed amendment. (The drafting point is an important one - as extending the provisions to "those who intend.." could lead to further litigation and expensive satellite disputes.) However, we would go further. The neatest way to reorder the fundamental definition of an unjustified or groundless threat (see Q. 5 above), leaving aside for a moment the issue of the provisional rights (see Q. 2 above), would be to add a new subsection (c) to section 70(4), in the following terms or similar: "or (c) in the case where the person making the threat is, or is associated with, a business undertaking, any other threat to bring proceedings for an infringement of the patent* which is not reasonably likely to damage a business relationship between a competitor of the person making the threat and the competitor's customers and contractors, or to impair the competitor's ability to establish a business relationship with customers and contractors." Section 70(5) can then be seen as mere clarification of examples of legitimate business practice within such a proposed section 70(4)(c), and the mere fact that section 70(5) may not constitute an exhaustive list (see Qs. 14 to 20 below) becomes much less of a concern. The problem of provisional rights (see Q. 2 above) could be dealt with by including the following additional wording at the point indicated by *: ", or any threat to bring

proceedings for an infringement of rights conferred by publication of an application for a patent by virtue of section 69 above,".
<p><u>Question 7)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We would suggest that the regime for regulating threats in respect of registered and unregistered design rights (along with trade marks) should correspond closely with that for patents (see our responses to Qs 1 to 6 above). It is difficult to see that the substantive differences in the various threats regimes for the different types of IP rights offer any benefit to any party, nor assist any public policy objective. If the other IP rights' threats regimes were to so correspond, there ought also to be corresponding provisions for declarations of non-infringement in relation to those other rights. (By way of example, there is no equivalent to s71 Patents Act ("Declaration... as to non-infringement") in the Trade Marks Act 1994.)</p>
<p><u>Question 8)</u> If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> Any act ancillary to the principal act of infringement should also be exempted, but any other acts should not be exempted.</p>
<p><u>Question 9)</u> Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> If the person making the threat is, or is associated with, a business undertaking, then a threat to parties (such as the designer who produced the design document) should only be exempted if it is not reasonably likely to damage a business relationship between a competitor of the person making the threat and the competitor's customers and contractors, or to impair the competitor's ability to establish a business relationship with customers and contractors.</p> <p>If the person making the threat knows, or should know, that the other party is, or could become, a contractor of a competitor, and that business relationship with the competitor would involve infringement of the IP in the design, then the proper course would be litigation, not threats.</p> <p>For a suggestion of how to balance the tension between the CPR requirement for</p>

compliance with pre-action protocols before litigation and the threats provisions, see the answer to Q. 13 below.
<p><u>Question 10)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> Please see the answers to Q7 and Q8 above.</p>
<p><u>Question 11)</u> If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> Our agreement is caveated with the same comments as for Question 6, namely that proof of intent should not become a factor in a threats action, but that the wording should prescribe an objective test (such as a "reasonable likelihood").</p>
<p><u>Question 12)</u> Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> This is analogous to the application of a trade mark in the case of goods and so ought to mirror that provision. For a suggestion of how to balance the tension between the CPR requirement for compliance with pre-action protocols before litigation with the threats provisions, please see the answer to Q. 13 below.</p>
<p><u>Question 13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> We agree, but we suggest to proceed carefully when framing the legislation to prevent abuse (which, on the basis set out in the third paragraph below we would expect to be rare). It will also need to be considered whether overseas IP professionals are to be equivalently protected, bearing in mind that they can issue threats to UK recipients as easily as UK professionals can. We would suggest a</p>

condition that the IP right owner and the IP are fully identified - in effect a bona fides criterion defining the minimum that a reasonable IP professional would in any event think to include in any letter opening a dialogue between his client and a third party over an IP matter. We would add that the usual position in litigation is that there is a fundamental assumption that solicitors comply with their duties to the court and it is a high test to satisfy a judge that a solicitor is in breach of those duties. The ability of a party to bring threats proceedings against a legal adviser acting in their professional capacity, and on a client's instructions, is inconsistent with (and more importantly undermines) this principle. We also suggest that the any change in the law in this direction could usefully also define how the (UK) IP professional and his client may safely comply with a pre-action protocol under the CPR. For example, we suggest that the initial IP professional's letter as such could attract an exemption for both the professional and his client(s) from action under the threats provisions in respect of that particular letter provided that (a) the identity of the client(s) and the fact of acting for it/them is explicitly stated in the letter, (b) the IP in issue is clearly and completely identified, (c) the client's or clients' intention for that approach to be treated as pursuant to a CPR pre-action protocol is explicitly stated, and (d) it is stated that it is both the IP professional's and the client's/clients' intention and understanding that exemption from the threats provisions applies. In the case of patents, this would mean that it would be believed that the situation of current section 70(4)(a), the proposed section 70(4)(b), or the proposal (c) set out in our answer to Q 6 above, applies. Requirement (d) would place the recipient of the letter on notice that a groundless threat may be being made, potentially actionable against the IP professional's client, if the recipient has information to contradict the stated intention and understanding. After the initial (protected) letter, then as pointed out in the consultation paper (paragraphs 2.28 to 2.33), the subsequent communications can take advantage of the "without prejudice" practice. We would suggest that it would be helpful to consider the approaches taken in other jurisdictions. For example, the pre-litigation procedure required to be followed in Germany whereby a "warning letter" is must be sent to an alleged infringer, the specific contents of which are prescribed by the relevant provisions.

Question 14)

Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?

Response: Yes

Comments:

Question 15)

Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?

Response: Yes

Comments:

The threats provisions relating all other IP rights ought to correspond to those for patents in all substantive respects.

Question 16)

<p>If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree, but suggest that such clarification should be additional to, and not instead of, a general exemption for business people who are honestly trying to inform others of their IP and stating their opinion about the ramifications of that, without seeking to damage any business relationship between a competitor and its customers and contractors, or to impair the competitor's ability to establish a business relationship with customers and contractors (see answers to Qs 5 and 6 above).</p>
<p><u>Question 17)</u> If so, should assertions about the right include the following: The right exists? It is valid? It is in force? Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We would suggest that, rather than such assertions including 1 to 5 in the question above, that they be limited to 1 to 5 above, so that precisely what is permitted to be asserted by the IP rights owner is restricted and clear.</p>
<p><u>Question 18)</u> Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> Both types of enquiry would be constructive for a business person making a bona fide approach to a competitor to initiate dialogue with a view to avoiding IP litigation. We would add that where secondary infringers are contacted there ought to be a requirement for the IP rights holder to: a) inform the secondary infringer whether it has or has not contacted the primary infringer; and b) provide the secondary infringer with brief particulars of the correspondence between the parties (if there has been extensive correspondence the provision of copies of that to a secondary infringer may itself have the overtones of a threat).</p>
<p><u>Question 19)</u> Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>

Response: No

Comments:

Such an exemption would be open to abuse since it would apply equally to approaches made to customers e.g. in patent cases. Also, there is a practical problem that the existence or absence of the exemption depends arbitrarily on the state of knowledge of the recipient, which is not known to the claimant of the IP right. A better approach is to clearly distinguish between reasonable and unreasonable commercial conduct (see Q 5 and 6 above). As an alternative, the matter could be placed in the hands of the alleged primary infringer. If they agree, the IP rights owner may contact the innocent secondary infringers. If they do not, the IP rights owner should be entitled to claim damages from the primary infringer from the date upon which it would have notified the innocent secondary infringers, in respect of all their sales prior to notice.

Question 20)

If so, should factual information include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Other

Comments:

Since we disagree with Question 19 (and subject to our suggested alternative in our answer to that question) Question 20 is formally not applicable. However, as a general point we would see all these forms of factual information as constructive to raise in a bona fide approach by a business person to a competitor (but not the competitor's customers/contractors) to initiate dialogue with a view to avoiding IP litigation. As has often been noted, the phrase "factual information" can be construed to protect a statement which is in reality a threat and therefore we consider where factual information is permitted to be provided it is always prescribed and limited to certain matters by the legislation (for example, limited to 1 to 4 above).

Question 21)

Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?

Response: Other

Comments:

In principle, a claimant of IP rights should be able to open licence discussions with anyone without a risk of being sued for making a threat. However, it is difficult to

<p>imagine how the situation envisaged by the question might work in practice. If the basis for the IP right holder seeking to grant a licence is to avoid infringement by the prospective licensee then it is hard to see how the it could engage in those negotiations without even intimating it was considering bringing infringement proceedings. If the prospective licensee said "why are you offering me a licence?" it is difficult to see how the IP right owner could sensibly respond without making an otherwise actionable threat. This would also be likely to drive a wedge between the alleged primary and secondary infringer and so should not be protected by being exempt from the threats regime.</p>
<p><u>Question 22)</u> If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> We suggest a "protected first approach" solution to allow an IP professional to safely make a first approach on behalf of a client, analogously to the answer to Q 13 above, after which the "without prejudice" practice can be employed.</p>
<p><u>Question 23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> Settlement negotiations ought to be protected, but only if all parties are involved, that is, the secondary infringer must be made aware of discussions with the primary infringer. The central dispute is and should be with the primary infringer and if the rightsholder chooses to take steps against a secondary infringer it ought to be without the protection of an exemption to the groundless threats regime.</p>
<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> If the specific defences are proposed it would be helpful to make those seeking to benefit from them liable to proof of good faith. But still better would be to prevent a threats action from being brought at all where a business person makes reasonable approaches to others to resolve IP disputes (see answers to Qs 5, 6, 13, 21 to 23 above in particular).</p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>

<p>We would add that approaching secondary infringers other than in limited circumstances, such as those set out in this question, ought not to be exempted from the threats regime - claiming to be seeking to negotiate is liable to abuse.</p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> The openness of this seems reasonable and commendable. In reality, providing the information envisaged by Q26(2) above ought in any event to take the "sting" out of such a threat.</p>
<p><u>Question 27)</u> Do consultees agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> The subjectiveness and arbitrariness of the defence are unsatisfactory but no more so than many other aspects of the current provisions or some of the proposals made in the consultation document. We think that a defence of justification (i.e. infringement of a valid and enforceable IP right was taking place) is right, so that section 70(2A) may be required in some form.</p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> (1)The arbitrariness is indeed unsatisfactory but no more so than many other aspects of the current provisions or some of the proposals made in the consultation document. We think that the "threats" provisions should properly bite on groundless threats to bring proceedings, so we do not see a great problem with threats to continue proceedings (ref: part (1) of this Question), as by then the stakes are already high and the parties are fully engaged and cannot be said to be unprepared or taken by surprise. In commencing proceedings, the IP right owner has not only taken formal steps to proceed with its allegations, but has also placed itself in a</p>

position whereby it is potentially liable for the defendant's costs. The defendant has the option of seeking summary judgment or strike out of the claimant's claim (and an application for a strike out stops time running for service of the defence, so the defendant is not required substantively to respond to the IP right owner's claim whilst its application is outstanding). If successful, the defendant would have a judgment disposing of the claimant's claim and the claimant would be ordered to pay the defendant's costs. (2) Extending the regime to cover allegations which fall short of a threat would increase uncertainty on the part of both parties as to whether those allegations fall within the regime. It would be likely to be largely fact-specific in each case and therefore to lead to increased litigation. Such a provision also seems potentially harsh from a public policy perspective as a small business or individual rights owner could more easily, and unwittingly, fall foul of it. (3) As we say above, it seems to us that the threats regime ought to be consistent across all forms of IP and therefore it should be extended to copyright, passing off and misuse of confidential information. Letters before action in what is in reality a trade mark dispute are often written based on allegations of passing off (with the primary aim of avoiding the threats regime). That seems to us to be artificial and unhelpful - often proceedings are ultimately commenced for trade mark infringement so the alleged infringer has not only been deprived of the option to pursue a threats claim, but also of full particulars of the claimant's case until it was ultimately pleaded. (4) If threats to sue elsewhere in the EU are to be actionable in the UK, there ought to be a consistent approach throughout the EU, or at least some degree of reciprocity. The notion that a party could make a threat to sue in a country which does not have a threats regime (or has one which is materially different) and that that threat would be actionable in the UK but not in the country which is the subject of the threat is not an attractive one.

Question 29)

Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?

Response: Yes

Comments:

See Q 2 above.

Question 30)

We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

In our view, a new statutory tort would not be a good idea. Whilst we agree with the conclusions of Nina O'Sullivan in Background Paper 1 (that is, that other torts such as malicious falsehood and inducement to breach of contract are not an adequate alternative to the threats regime) the current regime is not so flawed as to require to be replaced. The current regime can and should be adapted to: 1) balance the respective parties' rights; 2) do so in a way that is more commercially useful for the

parties concerned; and3) cover all IP rights under corresponding provisions. We cannot see that there is any benefit in expanding tortious liability outside of the "specific threats of infringement" context, which has the advantage of some inherent clarity of scope and is the primary area where abuse of an IP right is likely. Also, the same protections would be needed, as in the current provisions, to allow reasonable communications between businesses about the ramifications of IP rights and attempts to settle disputes, so one would simply have a parallel regime which could not completely replace the "threats" provisions because that latter works whether or not a threat is made in the course of trade and whether or not loss to a competitor is caused or likely. In any event, the "falseness" and "misleadingness" of the allegations (not to mention the "loss" or "likelihood of loss") would still have to be judged to assess whether the tort had been committed or not, so this proposal still does not break the current link between the infringement issue and the threats issue, which in our view would be desirable (see the answers to Qs 5 and 27 above in particular).

Question 31)

We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.

Response: N/A

Comments:

In our experience with patents the threats provisions make it more likely that an IP rights holder goes straight into litigation where a breach is apparently taking place. Unless the threats provision can clearly exempt (i.e. encourage) desirable, commercially responsible, pre-litigation discussions, this will not change. This necessarily leads to an increase in costs as the rights holder will have incurred the costs of preparation and issuing proceedings. Plus, it is much harder to settle proceedings in their very early stages than prior to a claim being issued and served, which in turn leads to a further increase in costs. As regards trade marks and designs, we rely a great deal on the precise wording of the threats provisions and are involved in a lot of pre-action correspondence. The rather artificial compartmentalisation of what is and what is not a threat means that infringement often cannot be addressed head on in a clear way. This is of no assistance to either party and often does not serve to assist resolution of the dispute without the need for proceedings. In the early stages of a dispute, correspondence about threats can often be a side issue which serves to increase costs and entrench animosity between the parties but often, ultimately, falls away.

Question 32)

We welcome evidence from retailers and others about:
the frequency of threats concerning patent, trade mark and design rights infringement; and
how they react to such correspondence.

Response:

Comments:

Our experience from advising clients is that low-level company-to-company threats concerning IP infringement are commonplace, often made in ignorance of the legal

provisions and probably technically actionable, but they rarely result in litigation unless a law firm can be made a defendant. Most business people can easily see that in normal cases a threats action merely precipitates an infringement action, which is normally what the parties are seeking to avoid. Unless the linkage between an infringement action and a threats action can be broken (see the answers to Qs 5, 27 and 30 above in particular), this approach will inevitably remain the commercially sensible one. We focus most of our threats correspondence on primary infringers, for obvious reasons and this also seems to be the case for most of our clients who receive such correspondence. The reaction is generally one of concern, which is communicated to us, but rarely seems to stop trade unless and until advice has been given.

Question 33)

We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.

Response: N/A

Comments:

An important consequence which we anticipate is that costs would be reduced as it will be far more straightforward to draft correspondence and undertakings. It would also avoid the time and costs incurred in a satellite debate about threats which (as is often the case in practice) is not ultimately pursued. We think the impact would be beneficial on UK industry and commerce as a whole, provided that the reformed provisions clearly encourage responsible commercial behaviour and penalise the irresponsible. As we say above we see a great benefit in a consistent approach being adopted in relation to all IP rights. We would add that an evolutionary approach implies gradual reform, and not the substantive adjustments proposed in Question 30, for example.

Question 34)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?

It would reduce the number of cases litigated? If so, how many cases might be affected?

Response: Other

Comments:

(1) It very much depends on what form the changes actually take. If the reforms do not clearly encourage commercial responsibility they could cause increased costs for industry and commerce. Having said that, we would expect the costs of such a reform to be on the low side, if a key aim of the reform is to bring all IP rights into line with each other and in many respects along the lines of the existing regime for patents. (2) Yes - please see our answer to Question 33 above. It is difficult to estimate how much costs would be reduced by as this will differ on a case by case basis and other factors may be material in any particular case. (3) It is difficult to comment on this. Allegations of threats are often the subject of correspondence but

<p>not ultimately pursued in proceedings. From our own perspective, we cannot see that the reforms would have any significant impact on the number of infringement claims litigated.</p>
<p><u>Question 35)</u> We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> Law firms are attractive targets for threats claimants because they are likely to be insured, pre cautious and willing to settle. The ones that get targeted are often (but not always) ones that are not experienced in IP matters. Exempting them for liability when acting on behalf of a client would be highly beneficial, but we suggest to go further (see Question 13). The conflict between the threats regime and the pre-action requirements of the CPR often places legal advisers in real difficulty. The potential for the adviser sending a letter before action to be liable in a threats action can, understandably, lead advisers to be over-cautious in correspondence written in the context of legitimate infringement claims. This assists neither party and does not further the "cards on the table" principle of litigation or the resolution of the underlying dispute. Any potential for abuse by advisers could arise on either side. As we say in response to Question 13, the duties solicitors have to the court are, in the majority of circumstances and without strong evidence to the contrary, generally assumed and we would expect that instances of professionals acting contrary to those duties and making unlawful threats ought to be rare. We would, however, add that the ability to bring threats proceedings against an adviser can be abused by the alleged infringer's own adviser to put personal pressure on that individual and/or his or her firm in order to attempt to deter their client from proceeding against the alleged infringer. That would also be improper.</p>
<p><u>Question 36)</u> Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of legal advice? If so, by how much? It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We also think the full advantages of (1), (2) and (3) would only be realised if there is also a strong incentive on the client to issue his communications responsibly and through a qualified IP professional (see the answers to Qs 5, 6, 13, 21 to 23 above in particular). As to (3) the key is to educate small businesses about what they can and cannot do. However, the more straightforward the law, the simpler the message to be conveyed to businesses and the more they can do themselves without legal intervention.</p>
<p><u>Question 37)</u> We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or</p>

unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

Although we see merit in the underlying principles and aims of introducing a new tort, we think this is not necessary and is likely to have substantial adverse and unforeseen consequences. See Question 30 above. The "falseness" or "misleadingness" of the allegations may well be a matter of differing opinion between the sides, as also may be the likelihood of causing loss to a competitor. Loss to a competitor may be completely hypothetical if the allegation is made to someone else. In our view it is the attempt to damage, or likelihood of causing damage, to the commercial relationships between a competitor and his customers/contractors that the threats provisions should bite on. This can happen when irresponsible approaches are made to persons outside the "competitor" category vis a vis the IP rights claimant, and is the same whether the rights registered or unregistered, and whether they are valid or invalid, granted or pending, enforceable or unenforceable. It is the abusive/predatory dissemination of a claim to their existence that can do the damage.

**Herbert Smith Freehills LLP response to
LAW COMMISSION CONSULTATION PAPER No 212
Patents, Trade Marks and Design Rights: Groundless Threats**

INTRODUCTION

We do not agree with the Law Commission's statement that the groundless threats provisions should be retained. We do not see any need to provide a separate ground for action in relation to a threat of proceedings for intellectual property where there is none for any threat of action in relation to any other tort. Further, as most intellectual property rights are harmonized across Europe and threats actions do not exist in any other European jurisdictions or in relation to any Europe-wide IP rights, their continued use in the UK must be questionable. The fact that there is no groundless threats action for copyright infringement and there are not the concomitant levels of "abuse" it is suggested by some will emerge if threats provisions are not toughened, is illustrative of the fact that such provisions are not a prerequisite to the practice of pursuing legitimate IP claims.

One area correctly identified by your consultation paper is the innate tension between the threats provisions for intellectual property infringements and the requirements of the Woolf Reforms (the Civil Procedure Rules) in terms of pre-action communications (and protocols) between IP rights holders and potential defendants in advance of issuing proceedings. This is an area where we would like to see the Commission seek clarity in the law. All rights holders should be able to set out clearly in writing what they believe to be their rights and how they have been infringed.

We do not believe that the threats provisions are being abused currently, nor that the "loopholes" that the Commission refers to are being used to avoid threats actions. In our experience, copyright infringement (in relation to which there is currently no threats action available) is not alleged where the tort is in fact registered design infringement (for which there are threats provisions), nor passing off alleged without trade mark infringement where trade mark rights exist.

We do not see the continued justification for lawyers to be targeted as potential defendants.

We have followed the Questions and format of Chapter 11 of the Consultation in our responses below.

PROBLEMS WITH THE LAW

In Chapter 11 you (the Law Commission) comment: "We have identified three problems with the current law. First, the threats provisions are too narrow and are easy to avoid by using loopholes, such as threatening to sue for related causes of action like passing off. Second, the provisions are too wide and, for trade marks and design rights, give protection to primary infringers where threats extend to acts of secondary infringement. Also, the provisions apply to legal advisers acting in their professional capacity. Finally, they are too complex and vary between rights. This sets traps for the unwary and lends itself to games playing".

Question 1 Have the problems with the current law been correctly identified? (7.92)

We do not see a "loophole" issue in our practice. Most rights owners will want to assert their strongest rights and will not avoid asserting trade mark infringement for fear of a threats action.

The provisions should not vary between rights; if they are to be retained then a harmonisation as between the rights for which there are currently threats provisions would be beneficial. We agree that the breadth of protection for primary infringers in relation to acts of secondary infringers is too wide. You also correctly identify that the provisions in relation to legal advisers are a serious issue for solicitors and thus are correctly identified as a problem with the current law.

The problem of communication in advance of proceedings, required by the CPR, and the risk of this being interpreted as an actionable threat, causes a great deal of concern to IP lawyers. This needs to be resolved along with any changes to the threats provisions.

If the threats provisions are not to be entirely repealed, then we are in agreement with Lord Justice Jackson in his recent review of civil litigation costs. That "simple guidance concerning what pre-action conduct is required" which would clarify at what point liability under the threats provisions would not be incurred. His suggestion that "if a party complies with approved pre-action guidance as a precursor to *bona fide* [good faith] litigation or ADR, it should not incur liability for groundless threats" appears sensible to us. However, following the introduction of the new CPR regime in April 2013 there is now a greater risk that as the Law Commission's consultation paper puts it "a step that might have been excused under the old regime as being reasonable in all the circumstances but which is not proportionate, for example giving no indication to the other party about the true nature of the grievance and simply issuing, will not be allowed under the new rules".

Question 2 Do other problems exist? (7.92)

Question 3 Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

No – other torts such as unlawful interference with business, abuse of process or even abuse of dominant position could be used to deal with abusive cases. We do not see any need to provide a separate ground for action in relation to a threat of proceedings for intellectual property where there is none for any threat of action in relation to any other tort. Most intellectual property rights are harmonized across Europe and similar IP-specific threats provisions do not exist in other European jurisdictions (other than Ireland) in relation to local or Europe-wide IP rights and thus their continued use in the UK should be questioned. The fact that there is no groundless threats action for copyright infringement in the UK and this does not give rise to the concomitant levels of "abuse" that some suggest will emerge if threats provisions are not toughened, is illustrative of the fact that such provisions are not a prerequisite to the practice of pursuing legitimate claims appropriately.

However, if the threats provisions are retained this should only be on the basis that the tension between the pre-action communication requirements and the risk of triggering a threats action is resolved as well as the removal of liability for solicitors communicating the threat on behalf of their clients.

Question 4 If so, should this protection continue to apply to unregistered design right? (7.92) If the threats provisions are to be retained, we believe it should, along with a unification of approach for all IP rights.

Question 5 Do consultees agree that the law of groundless threats actions should be reformed? (7.92)

Yes; the threats provisions should be repealed and failing that the provisions should be harmonised across the IP board.

CHAPTER 8: AN EVOLUTIONARY APPROACH

Excluding threats to those who intend an act of primary infringement

Patents

Question 6 Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who intend to make or import a product for disposal or to use a process? (8.11)

We agree.

Extending the 2004 reforms for patents to registered and unregistered design rights and trade marks

Registered and unregistered design rights

Question 7 Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended? (8.16)

We agree.

Question 8 If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article? (8.16)

We think they should be exempt also.

Question 9 Should the legislation exclude threats made to any other parties, such as the designer who produced the design document? (8.16)

Yes.

Trade marks

Question 10 Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended? (8.32)

Yes.

Question 11 If so, should the provisions exempt a threat, made to a person who:

- (1) has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or**
- (2) has imported goods to which the mark has been applied or to their packaging (or intends to do this),**

where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark? (8.32)

Yes.

Question 12 Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark. (8.32)

Protection for legal advisers

Question 13 Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client? (8.40)

Agreed. The current legislation can cause tension as between client and advisor as well as making pre-action communication an unattractive prospect for legal advisors. See our comments above. A right holder should be able to clearly set out the rights he believes infringed. This is advantageous for the potential defendant in order for him to understand the allegations being made against him.

Legitimate approaches to secondary infringers

We agreed that there can be real benefits in allowing a rights holder and an alleged secondary infringer to discuss their differences openly and without fear of incurring liability under the threats provisions, and that the current exemptions for mere notification of a right or the provision of factual information are not satisfactory. The difference between "mere notification" and a threat is in the eye of the receiver and the view of the court, neither of which make it easy to compose mere notifications or for clients or their advisors to be able to rely on them not triggering a threats action. The risk of abuse if threats provisions are removed would be low in our view. The proposed requirement that the communication must be made in good faith appears appropriate to us however, in order to avoid any potential abuse.

Mere notification and factual information

Question 14 Do consultees agree that there should not be a general exemption for the mere notification of a right or the provision of factual information? (8.55)

There needs to be a way to notify someone of your rights, as a warning, without this being an actionable threat. This must be broad enough to allow meaningful communication and clearly stated in the law or official guidance so that rights holders need not be in fear of threats actions if they follow the guidance and comply with the Civil Procedure Rules.

Enquires to track down the trade source

Question 15 Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade marks and registered and unregistered design rights? (8.62)

Yes – very much so.

Question 16 If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right? (8.62)

We think it is adequate as it stands for enquiries as to the source of patent infringements currently and could be used in the same way for trade mark or design infringement enquiries.

Question 17 If so, should assertions about the right include the following:

- (1) The right exists?**
- (2) It is valid?**
- (3) It is in force?**
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and**
- (5) Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question? (8.62)**

These all seem reasonable to require from anyone asserting a right.

Question 18 Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover “whether” a right has been infringed? (8.62)

We believe they should be limited to enquiries for the sole purpose of identifying the primary infringer.

Notifications to those with an innocent infringement defence

Question 19 Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights? (8.73)

Agreed. This is important as otherwise there is no way of notifying an innocent infringer of his infringing activity.

Question 20 If so, should factual information about the right include the following:

- (1) The right exists?**
- (2) It is valid?**
- (3) It is in force?**
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the design or any other information that describes the right? And**
- (5) Details about the alleged similarities between the rights holders’ patent, or registered or unregistered design rights and the product, process, or article in question? (8.73)**

Agreed.

Negotiations over licence terms

Question 21 Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions? (8.76)

This should also be exempt.

Question 22 If so,

- (1) when should it be legitimate to make such a threat?**
- (2) Is a specific defence required? (8.76)**

Question 23 Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions? (8.76)

A requirement of good faith

Question 24 Should a good faith requirement apply to the three specific defences, which are set out above? (8.77)

Yes – that would be reasonable.

Threats to the secondary infringer where the primary infringer cannot be found

Question 25 Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights? (8.82)

Yes

Question 26 If so, should the provisions state that:

- (1) A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?**
- (2) That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer? (8.82)**

We consider that there should be a defence as in (1) and that it is reasonable to include the requirement at (2).

Invalid patents - the “good faith” defence

The Commission has said: "For patents, a claimant in a threats action will not succeed where the threatener shows that at the time of making the threat it did not know and had no reason to suspect that the patent was invalid. We think that the defence is unsatisfactory. In particular this is because a threat in respect of an invalid patent can still cause loss; the risk that the right is invalid should fall on the threatener and not the party who incurred the loss. Also, the defence denies the claimant all remedies including a declaration that the patent has not been infringed and an injunction to stop the threats. As the defence arises at such a late stage in a dispute it will not protect a genuine rights holder from having a threats action brought against them."

Question 27 Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed? (8.86)

No

CHAPTER 9: A WIDER APPROACH?

Question 28 Are problems caused in practice by the failure of the groundless threats provisions to cover:

- (1) Cases where court proceedings are issued prior to a threat being made?**
- (2) Allegations which fall short of threats?**
- (3) Threats to sue for a related cause of action, such as passing off or breach of confidence?**
- (4) Threats to sue elsewhere in the EU? (9.10)**

Not in our opinion and experience

Question 29 Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed? (9.10)

There is already a tort of unlawful interference with business as well as trade libel, both of which are occasionally used in copyright threats situations since there is no statutory action for copyright threats. However, their use is extremely infrequent and we do not believe that a further tort of false allegations as suggested in the consultation is required.

Question 30 We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor. (9.46)

See our comments on Question 29 above.

THE FINANCIAL IMPACT OF REFORM

Question 31 We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes. (10.5)

The provisions add to costs, as early notice sometimes avoids litigation.

Question 32 We welcome evidence from retailers and others about:

- (1) the frequency of threats concerning patent, trade mark and design rights infringement; and
- (2) how they react to such correspondence. (10.5)

The evolutionary approach: costs and benefits

Question 33 We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers. (10.12)

Question 34 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of engaging an adviser to act and to draft preaction correspondence? If so, by how much?
- (3) It would reduce the number of cases litigated? If so, how many cases might be affected? (10.12)

Question 35 We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients. (10.18)

Question 36 Do consultees agree that:

- (1) The costs of such a reform would be minimal?

(2) It would reduce the cost of legal advice? If so, by how much?

(3) It would make it easier for small businesses to contact alleged infringers? (10.18)

Yes we agree with each of these three points.

A wider approach: costs and benefits

Question 37 We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor. (10.22)

As set out in our response to Question 29, we do not consider this new tort to be necessary given the protection that already exists in the law under the tort of unlawful interference with business, abuse of dominant position under competition law, abuse of process and trade libel.

Herbert Smith Freehills LLP
16 July 2013

PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS

RESPONSE TO QUESTIONS

This optional response form is provided for consultees' convenience in responding to our Consultation Paper on Groundless Threats.

The Consultation Paper is available free of charge on our website at:
<http://lawcommission.justice.gov.uk/consultations/groundless-threats.htm>

The response form includes the text of the questions in Chapter 11 of the Consultation Paper, with checkboxes for answers and space for comments. You do not have to respond to every question. Comments are not limited in length (the box will expand, if necessary, as you type).

Each question gives a reference in brackets to the paragraph of the Consultation Paper at which the question is asked. Please consider the surrounding discussion before responding.

We invite responses from 17 April 2013 to **17 July 2013**.

Please return this form:

by email to: intel.prop@lawcommission.gsi.gov.uk or

by post to: Julia Jarzabkowski, Law Commission, Steel House, 11 Tothill Street, London
SW1H 9LJ

Tel: 020 3334 0292

We are happy to accept responses in any form – but we would prefer, if possible, to receive emails attaching this pre-prepared response form.

Freedom of information statement

Any information you give to us will be subject to the Freedom of Information Act 2000, which means that we must normally disclose it to those who ask for it.

If you wish your information to be confidential, please tell us why you regard the information as confidential. On a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded as binding on the Law Commission.

The Law Commission processes personal data in accordance with the Data Protection Act 1998 and in most circumstances it will not be disclosed to third parties.

YOUR DETAILS

Name of respondent: The Institute of Trade Mark Attorneys

Type: Association

Postal address: ITMA Office, 5th Floor, Outer Temple, 222-225 Strand, London, WC2R 1BA

Telephone: [REDACTED]

Email: [REDACTED]

Confidentiality:

☐

Please read the Freedom of Information statement above before checking this box.

I wish to keep this response confidential.

Please explain why you regard the information as confidential:

INTRODUCTION

We think that the groundless threats provisions should be retained but reformed. The provisions prevent a form of abuse whereby a trader attempts to drive a competitor from the market by making threats of infringement proceedings. There are, however, problems with the current law and we put forward alternative approaches to its reform. The first approach builds on the 2004 reforms to the threats provisions for patents, which would be extended to trade marks and to registered and unregistered designs. The second we set out in outline only. We propose a new right, a tort of making false allegations that is based on the Paris Convention.

We would like comments and responses on the following questions.

Introduction to the Institute of Trade Mark Attorneys – About Us

The Institute of Trade Mark Attorneys (ITMA) is the professional membership body representing Trade Mark Attorneys and the wider trade marks and designs profession, primarily in the UK but also internationally. ITMA was founded in 1934 and is a leading international organisation in the development, promotion and representation of the trade mark legal profession. It is seen as an important source of professional knowledge in the field of Intellectual Property law, with a focus on trade marks and designs.

ITMA promotes high standards of training, qualification and continued learning to ensure that the Trade Mark Attorney profession is able to undertake on behalf of clients all of the work associated with securing and protecting trade marks and other intellectual property rights in the UK, EU and internationally. Details of some of the work and the achievements of the organisation can be found in the latest Annual Report (2012) which can be viewed [here](#).

ITMA has approximately 1,500 members, of which around 650 are fully-qualified UK Registered Trade Mark Attorneys. There are also in the region of 200 overseas members from almost 75 countries across the globe.

ITMA is also a Statutory “Approved Regulator” in the Legal Services Act 2007 and has a responsibility to regulate the Registered Trade Mark Attorney profession within the UK. This is achieved through its independent regulatory arm – the Intellectual Property Regulation Board (IPReg). In fulfilling this role, ITMA also engages with and responds to consultations of a regulatory nature where appropriate.

ITMA represents the profession by engaging in and responding to important consultations that may impact on the Registered Trade Mark Attorney profession, as well as consultations which may impact on the law surrounding trade marks and designs and IP-related issues. In doing so, ITMA seeks to comment both from the perspective of its members and the businesses which its members represent. In recognition of this, ITMA is a member of the Office for Harmonisation in the Internal Market's (OHIM) 'User Group' and is in regular communication with OHIM, WIPO (the World Intellectual Property Organisation) and the UK Intellectual Property Office (IPO) about trade mark and design matters. Through our professional long-standing involvement, we are continually helping to shape the policy and procedures assisting in the development of a fair and efficient granting system both within the UK and internationally.

ITMA welcomes the opportunity to provide comments on the proposals put forward by the Law Commission.

CHAPTER 7: PROBLEMS WITH THE LAW

We have identified three problems with the current law. First, the threats provisions are too narrow and are easy to avoid by using loopholes, such as threatening to sue for related causes of action like passing off. Second, the provisions are too wide and, for trade marks and design rights, give protection to primary infringers where threats extend to acts of secondary infringement. Also, the provisions apply to legal advisers acting in their professional capacity. Finally, they are too complex and vary between rights. This sets traps for the unwary and lends itself to games playing.

Question 1 Have the problems with the current law been correctly identified? (7.92)

Yes: ☒ No: ☐ Other: ☐

The present position can be contrary to the Woolf's Overriding Objective, in that parties can be reluctant to disclose their Trade Mark registrations - however germane to the matter - because that is the only way to be certain of preventing a tactical and retaliatory "threats action".

The Consultation Paper No 212 ("the Consultation Paper") is very detailed and pretty much all of the issues are referred to in the Consultation Paper. However some of the issues do not fall directly within the three listed main "problems". For example, the disparity between the general requirement of the UK Civil Procedure Rules ("CPR") to resolve disputes proportionately with an emphasis on alternative dispute resolution procedures ("ADR") where possible and the threats provisions which can be seen as encouraging some of those who receive a letter before action to promptly issue proceedings for groundless threats. This point has become even more apt following the amendments to the CPR which took place and continue to take place following the publication of the Civil Procedure (Amendment) Rules 2013 which requires even more careful consideration of costs and a greater obligation to sort out differences at the outset.

See also Question 31 below.

Question 2 Do other problems exist? (7.92)

Yes: ☐ No: ☐ Other: ☒

See response to Question 1 above.

Question 3 Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

Agree: ☒ Disagree: ☐ Other: ☐

The potential to cause damage to a business' supply network through a groundless threats action is significant and there should be a retention of the legislation in some form. The UK law alternatives to a groundless threats action are not considered to be sufficient to protect the rights of those aggrieved by groundless threats. In addition, the UK does not have a broader based law of unfair competition or unfair commercial practices (as is the case in other European countries such as Germany and the Netherlands) under which a related complaint could fall.

Question 4 If so, should this protection continue to apply to unregistered design right? (7.92)

Yes: ☒ No: ☐ Other: ☐

This is a difficult point, because Unregistered Design Right (UDR) sits between copyright and Registered Designs, and so either approach must lead to inconsistency. Thus, the groundless threats action as it relates to unregistered design right has its own specific peculiarities - for example, there is

no central register and therefore there is a greater possibility of lack of notice and of innocent infringement.

It is possible to argue that design rights are more closely aligned with, and should be made consistent with, copyright, in respect of which there are no statutory groundless threats provisions. However, set against this there are good reasons for retaining groundless threats protection for unregistered designs, including that if groundless threats provisions are to be retained for registered designs, excluding threats for unregistered designs would open a new loop-hole which could be open to abuse.

Question 5 Do consultees agree that the law of groundless threats actions should be reformed? (7.92)

Agree: **X** Disagree: Other:

CHAPTER 8: AN EVOLUTIONARY APPROACH

Excluding threats to those who intend an act of primary infringement

Patents

Question 6 Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who intend to make or import a product for disposal or to use a process? (8.11)

Agree: **X** Disagree: Other:

In relation to patents and trade marks, we broadly agree, so that infringement issues can be dealt with at an early stage. However, a note of concern is that as we would prefer the legislation to be as unambiguous and consistent as possible; there is a problem in relation to the extent of the obligation on the threatener to ensure that there are grounds to suspect that there is in fact an intention to make or import a product. If there is no requirement for this, there is the obvious possibility for substantial mischief at a time when there is not even a product.

Extending the 2004 reforms for patents to registered and unregistered design rights and trademarks Registered and unregistered design rights

Question 7 Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended? (8.16)

Agree: **X** Disagree: Other:

We broadly agree with this proposal, providing that safeguards are put in place to ensure that threats made to secondary infringers are outside of the scope of the protection and are clarified accordingly. It should be noted that section 227 of the Copyright Designs and Patents Act 1988 includes importation as an act of secondary infringement, whereas section 253 excludes the remedy for groundless threats in relation to the making or importing of anything. This anomaly should be catered for in any extensions to the law.

Question 8 If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article? (8.16)

Yes: **X** No: Other:

We broadly agree that the provisions against primary infringers should extend to acts which interfere with the rights of the owner of the rights. Once again, it is important that safeguards are put in place

to discourage the making of unjustified threats against secondary infringers and to ensure that threats made to secondary infringers are outside of the scope of the protection and are clarified accordingly.

Question 9 Should the legislation exclude threats made to any other parties, such as the designer who produced the design document? (8.16)

Yes: No: Other: **X**

The position of the designer will depend on his/her creative freedom and independence, in the creation/execution of the design. The word "designer" is used loosely to cover both capacities, but they are very different.

The reference in this question to "any other parties" is too broadly defined and care needs to be taken here. The Consultation Paper talks about whether the definition of primary infringement should be extended to include those parties who are effectively the trade source of the design. We are broadly in agreement with that statement. However, designers of products, for example, are often commissioned by the person typically defined as the trade source. They will be a separate entity from the "trade source" but are involved at the outset of the development of the design.

In terms of infringement, such designers will often make articles to the design (a primary infringement) and have the design in their possession for commercial purposes (a secondary infringement) yet they will assign any rights in the design.

Trade marks

Question 10 Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended? (8.32)

Agree: **X** Disagree: Other:

We broadly agree with this proposal, providing that safeguards are put in place to discourage the making of unjustified threats against secondary infringers.

We also think that the groundless threats provisions relating to designs, patents and trade marks should be as consistent as possible. For example, in relation to designs, the groundless threats provisions relate to "making and importing". In relation to trade marks, the provisions relate to "the application of the mark to goods or their packaging" but also refer to "the importation of goods to which the mark has been applied or to their packaging". We touch on this point below.

Question 11 If so, should the provisions exempt a threat, made to a person who:

(1) has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or

(2) has imported goods to which the mark has been applied or to their packaging (or intends to do this),

where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark? (8.32)

Yes: No: Other: **X**

(1) As we say above, the provisions need to be as consistent as possible and be consistently applied. In relation to trade marks, the factual position is a little different because the threat mainly relates to the mark as applied, compared to designs where the product itself embodies the design. So section 21(1)(a) of the Trade Marks Act 1994 currently applies to "the application of the mark to goods or

their packaging". This may well not bite on the trade source but rather a party commissioned by the trade source to prepare its packaging and affix the mark to it. It would be an odd result if a rights holder could rely on section 21 to threaten a commissioned packaging company, but could not necessarily rely on section 21 to threaten the trade source.

(2) Section 21(1)(b) relates to "the importation of goods to which the mark has been applied or to their packaging". This might also not relate to the trade source because the importer could be a different person to the mark owner, but as importation is regarded as being a primary infringement, we are in agreement that the exemption should apply to importers.

Question 12 Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark. (8.32)

Agree: ☒ Disagree: Other:

We do not think the amendment will have a great impact and are broadly in agreement.

Protection for legal advisers

Question 13 Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client? (8.40)

Agree: ☒ Disagree: Other:

Acts carried out by a professional adviser on behalf of a client should be exempted.

Legitimate approaches to secondary infringers

There can be real benefits in allowing a rights holder and an alleged secondary infringer to discuss their differences openly and without fear of incurring liability under the threats provisions. Litigation and disruption to business could be avoided or a valuable stream of revenue acquired through the grant of a licence. The current exemptions for mere notification of a right or the provision of factual information are not satisfactory. The difference in the effect on the recipient of a notice or the factual information and that of an implicit threat may be vanishingly small.

We recognise, however, that by permitting certain types of approaches to a secondary infringer to be made this may introduce a risk of abuse. A threat could be "dressed up" in the guise of legitimate communication. We consider therefore, that an important check on the potential for abuse would be to require that the communication must be made in good faith.

Mere notification and factual information

Question 14 Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information? (8.55)

Agree: ☒ Disagree: Other:

There are circumstances where it is appropriate or necessary simply to notify a primary or secondary infringer, without making a threat of infringement. In pragmatic terms, even a careful notification which explicitly says it is not a threat can be perceived adversely by its recipient. Nonetheless, it should be possible to be able to notify a party without being at risk of threats action.

Enquires to track down the trade source

Question 15 Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights? (8.62)

Agree: **X** Disagree: Other:

There are circumstances where an infringement will be first identified at a point of sale. Once a purchase is made, it is usually possible to find the trade source, but there may be occasions, for example in relation to counterfeit goods, where reasonable enquiries of the retailer are necessary to help identify the trade source. We think that there should be a clearly prescribed right to allow enquiries of secondary infringers to ask them to identify the primary infringer(s) or their supplier - that is, the next step in the supply chain. Clearly they might not be able to identify the primary infringer, but they must know their own source at least, and it is reasonable to ask for that information.

We believe that the defence should only apply to enquiries for the sole purpose of discovering the identity of the primary infringer.

Question 16 If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right? (8.62)

Yes: **X** No: Other:

Question 17 If so, should assertions about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question? (8.62)

Yes: **X** No: Other:

As stated above, it would seem to be unnecessary to go further than notifying the secondary infringer of the right in question in order to enable it to adequately identify the right in issue, and asking for details of the trade source at the outset.

Question 18 Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed? (8.62)

Yes: **X** No: Other:

Notifications to those with an innocent infringement defence

Question 19 Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights? (8.73)

Agree: **X** Disagree: Other:

Question 20 If so, should factual information about the right include the following:

(1) The right exists?

(2) It is valid?

(3) It is in force?

(4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the design or any other information that describes the right? and

(5) Details about the alleged similarities between the rights holders' patent, or registered or unregistered design rights and the product, process, or article in question? (8.73)

Yes: **X** No: Other:

Certainly 1, 3 and 4 are objective and externally verifiable and should be included. 2 and 5 are however subjective, and so should not be "necessary".

Negotiations over licence terms

Question 21 Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions? (8.76)

Yes: No: **X** Other:

If this was the case, it would increase the ability to cloak a threat of infringement proceedings as an invitation to negotiate a licence.

Question 22 If so,

(1) when should it be legitimate to make such a threat?

(2) Is a specific defence required? (8.76)

Question 23 Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions? (8.76)

Yes: No: Other:

A requirement of good faith

Question 24 Should a good faith requirement apply to the three specific defences, which are set out above? (8.77)

Yes: **X** No: Other:

We are broadly in agreement that there should be an obligation of good faith when approaching an alleged secondary infringer. It would be preferable if there were criteria, but we appreciate the difficulty in setting out what amounts to good faith.

Threats to the secondary infringer where the primary infringer cannot be found

Question 25 Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights? (8.82)

Agree: **X** Disagree: Other:

Question 26 If so, should the provisions state that:

(1) A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?

(2) That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer? (8.82)

Yes: **X** No: Other:

Invalid patents - the “good faith” defence

For patents, a claimant in a threats action will not succeed where the threatener shows that at the time of making the threat it did not know and had no reason to suspect that the patent was invalid. We think that the defence is unsatisfactory. In particular this is because a threat in respect of an invalid patent can still cause loss; the risk that the right is invalid should fall on the threatener and not the party who incurred the loss. Also, the defence denies the claimant all remedies including a declaration that the patent has not been infringed and an injunction to stop the threats. As the defence arises at such a late stage in a dispute it will not protect a genuine rights holder from having a threats action brought against them.

Question 27 Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed? (8.86)

Agree: Disagree: Other:

CHAPTER 9: A WIDER APPROACH?

There are several gaps in the protection offered by the threats provisions. The provisions do not apply where proceedings are issued before a threat is made. They do not apply to notifications that fall short of a threat, but which may still have a detrimental effect. They do not apply to threats to sue for a related right, such as passing off. Finally, they do not cover threats to sue in respect of a Community right where proceedings will be brought elsewhere in the EU.

Question 28 Are problems caused in practice by the failure of the groundless threats provisions to cover:

(1) Cases where court proceedings are issued prior to a threat being made?

(2) Allegations which fall short of threats?

(3) Threats to sue for a related cause of action, such as passing off or breach of confidence?

(4) Threats to sue elsewhere in the EU? (9.10)

Yes: No: Other: **X**

We believe a viability study would be needed to investigate these complexities, especially given the risk of unforeseen consequences.

(1) This has always been a possibility for a rights holder, but the costs risk of not complying with the pre action requirements of the CPR are significant and this is generally a sufficient deterrent. It may be appropriate to consider the possibility of permitting a defendant to an action to counterclaim that the contents of the statement of case if set out in a letter would have amounted to a groundless threat. This would at least allow that party to seek damages for its loss and an injunction rather than merely being entitled to its costs if the defence is successful.

(2) It is difficult in practice to cloak a mere notification as a threat without the correspondence actually amounting to a threat and being actionable. Mere notifications are permissible and we do not see the necessity to change this.

(3) We are not convinced that this has much of an adverse impact in practice, although it undoubtedly takes place. Alleging passing off where the real issue is trade mark infringement is the most notable example. Is this more of a concern than limiting correspondence to an allegation of trade mark infringement by affixing the mark to goods or importing goods under the mark? It has essentially the same impact on the recipient of the letter.

(4) This is a possible problem, although the courts have been prepared to find that such threats often amount to sue in the UK.

Question 29 Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed? (9.10)

Yes: No: Other:

Question 30 We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor. (9.46)

On the face of it, this is an attractive proposition because it would potentially cover the four gaps set out in question 28 and could bring the UK more closely aligned with other countries in the EU. It would offer flexibility and allow the courts to mould the new tort to various situations.

However, it might not harmonize the law in the EU and there would be initial uncertainty whilst the court grappled with the new law. There is the risk that such a law could lead to uncertainty compared to the more prescriptive groundless threats regime.

We would welcome considering more specific proposals, but we believe a viability study would be needed to investigate these complexities, especially given the risk of unforeseen consequences, especially in relation to an entirely new tort.

THE FINANCIAL IMPACT OF REFORM

Question 31 We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes. (10.5)

Anecdotally we are aware that practitioners, needing to avoid a tactical retaliatory threats action, which could divide them from their Client, choose not to disclose the registered rights in the initial correspondence, which is contrary to Woolf's Overriding Objective. This is true, even in cases where clearly there is infringement, and this is despite the fact that very few threats actions have actually been filed at Court, though we have heard of threats actions themselves being threatened.

This must increase the financial cost, because the registrant is discouraged from disclosing the registration which he has secured at expense; the infringer is not given the earliest notice of the actual case against him; or alternatively, the adviser has had to spend time with his Client discussing a matter (ie, the risk of a retaliatory threats action) which appears highly complex to a party who simply wants his rights not to be infringed.

Thus, the groundless threats provisions, as they stand, can tend only towards increased costs and diminished information.

Question 32 We welcome evidence from retailers and others about:

- (1) the frequency of threats concerning patent, trade mark and design rights infringement; and
- (2) how they react to such correspondence. (10.5)

The evolutionary approach: costs and benefits

Question 33 We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers. (10.12)

Question 34 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?
- (3) It would reduce the number of cases litigated? If so, how many cases might be affected? (10.12)

Agree: **X** Disagree: Other:

(1) *Yes*

(2) *Yes*

(3) *We agree that this is a reasonable assumption in the circumstances.*

Question 35 We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients. (10.18)

Question 36 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of legal advice? If so, by how much?
- (3) It would make it easier for small businesses to contact alleged infringers? (10.18)

Agree: **X** Disagree: Other:

(1) *Yes*

(2) *Yes*

(3) *Yes*

A wider approach: costs and benefits

Question 37 We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor. (10.22)

Please see question 30.

PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS

RESPONSE TO QUESTIONS

YOUR DETAILS

Name of respondent:	Intellectual Property Lawyers' Association
Type:	Other
Postal address:	<div></div> <div></div> <div></div> <div></div> <div></div>
Telephone:	<div></div>
Email:	<div></div>
Confidentiality:	<i>We do NOT wish to keep this response confidential.</i>

Intellectual Property Lawyers' Association

The UK Intellectual Property Lawyers' Association ("IPLA") acts as a representative body for law firms in the United Kingdom with specialist intellectual property practices who wish to lobby for improvements to IP law and procedure. Over 65 firms are members of IPLA, and the vast majority of patent and other litigation relating to intellectual property rights in the UK is conducted by these member firms. Because of the international nature of IP, member firms are also familiar with litigation systems across Europe and in the United States of America. Members act for a wide range of clients, from major multi-national groups of companies to SMEs and technology start-up companies, as well as universities and private inventors and investors. As a group, IPLA probably has unparalleled experience of how IP litigation works in practice.

IPLA member firms deal with the threats provisions as a routine part of their practice and their accumulated practical experience of how these provisions operate in practice is probably unequalled. We believe that IPLA member firms, and through them, their clients, form one of the largest groups which is affected by the threats provisions.

INTRODUCTION

We think that the groundless threats provisions should be retained but reformed. The provisions prevent a form of abuse whereby a trader attempts to drive a competitor from the market by making threats of infringement proceedings. There are, however, problems with the current law and we put forward alternative approaches to its reform. The first approach builds on the 2004 reforms to the threats provisions for patents, which would be extended to trade marks and to registered and unregistered designs. The second we set out in outline only. We propose a new right, a tort of making false allegations that is based on the Paris Convention.

We would like comments and responses on the following.

CHAPTER 7: PROBLEMS WITH THE LAW

We have identified three problems with the current law. First, the threats provisions are too narrow and are easy to avoid by using loopholes, such as threatening to sue for related causes of action like passing off. Second, the provisions are too wide and, for trade marks and design rights, give protection to primary infringers where threats extend to acts of secondary infringement. Also, the provisions apply to legal advisers acting in their professional capacity. Finally, they are too complex and vary between rights. This sets traps for the unwary and lends itself to games playing.

Question 1 Have the problems with the current law been correctly identified?
(7.92)

Yes	No	Other
		See below.
<p>Taking the problems referred to in the question in turn:</p> <ol style="list-style-type: none"> 1. We do not agree that the provisions are too narrow or are easy to avoid using loopholes. They are not easy to avoid. Rights holders often have to start proceedings because it is not possible to 'craft' a letter which achieves the rights holder's legitimate objective but does not fall foul of the provisions. We think that extending threats to copyright and passing off is an unnecessary complication. 2. We agree that it is unsatisfactory for the threats provisions to apply to types of activity – it would be better if they applied to types of recipient. 3. We agree that the provisions applying to legal advisers in their professional capacity is problematic. See our answer to question 13. 4. We agree that it is problematic that the threats provisions are inconsistent across different IP rights. <p>In the Consultation Paper, the term "primary infringer" and "primary infringement" are used in a different way to how those terms may be defined in relevant statute and to how those terms are generally understood by IP lawyers. Where these terms are defined in statute, acts of "primary" infringement generally identify acts where the infringer does not need to have any knowledge of the</p>		

relevant rights to infringe. In contrast, defined acts of “secondary infringement” require a degree of knowledge (for example, S.226 and S.227 of the Copyright, Designs and Patents Act 1988).

It is understood that the Law Commission uses the term “primary infringement” and “primary infringer” as shorthand to refer to those acts in respect of which a threat can be made without falling foul of the threats provisions. Although there is overlap between acts which are defined acts of “primary infringement”, and those acts which are exempted from the threats provisions, they are not the same.

Question 2 Do other problems exist? (7.92)

Yes	No	Other
Yes, see below.		
<p>As referred to in the Consultation Paper at paragraph 36, there is an inherent tension between the policy objective of the CPR and overriding objective, and the threats provisions. The policy of encouraging “talk first” and of compliance with the Practice Directions on Pre Action Conduct (even though there is no specific IP pre-action protocol) conflict with the straightjacket imposed by the threats provisions. Issuing an actionable threat automatically opens up the maker of the threat, including at present the professional on whose notepaper the letter may be written, to a head of damage which simply would not have existed but for the threats provisions.</p> <p>In this context, whilst threats can be issued in the context of genuine without prejudice negotiations, it is usually practically impossible in an infringement situation to open those negotiations on a without prejudice basis – the recipient needs to know he is in a potential dispute, if he is to try to settle it. The difficulties are illustrated by the <i>Best Buy</i> case (referred to at 5.39-5.42 of the Consultation Paper) where the High Court decided that the threat was issued in privileged correspondence, and the Court of Appeal disagreed.</p>		

Question 3 Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

Agree	Disagree	Other
Yes, but in modified form.		

Question 4 If so, should this protection continue to apply to unregistered design right? (7.92)

Yes	No	Other
Yes, but in modified form.		

Question 5 Do consultees agree that the law of groundless threats actions should be reformed? (7.92)

Agree	Disagree	Other
Yes.		

CHAPTER 8: AN EVOLUTIONARY APPROACH

Excluding threats to those who intend an act of primary infringement

Patents

Question 6 Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process? (8.11)

Agree	Disagree	Other
		See below.
<p>In our view, a provision which depends on 'intention' will be evidentially problematic. 'Intention' may prove difficult to define and prove and in our view this proposal risks making the law more complicated and uncertain.</p> <p>Given that relief is available from the courts in <i>quia timet</i> cases, we suggest any such extension to section 70(4)(b) may be better characterised by reference to those who "<i>threaten and intend to infringe</i>" by making or importing or using a process, being the standard wording used to plead a <i>quia timet</i> claim.</p> <p>S.70(4)(b) was introduced so that the patentee could discuss legitimate claims with the trade source without having to draft letters around statutory provisions, so that a groundless threats action cannot be brought by a person who stands in a primary relationship to the infringing product.</p> <p>The patentee is still in the position after 70(4)(b) of having to draft letters around the legislation. In the interests of not preventing genuine pre-litigation negotiations between the patentee and primary infringer, it should be made clear in the legislation that a groundless threats action cannot be brought by a primary infringer in respect of threats made to it by the patentee, regardless of the acts referred to by the patentee. The acts of infringement which a patentee can raise with the primary infringer, against which the primary infringer will have no cause of action in unjustified threats, should include acts of secondary infringement whether by the primary infringer or by its customers.</p>		

Extending the 2004 reforms for patents to registered and unregistered design rights and trademarks

Registered and unregistered design rights

Question 7 Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended? (8.16)

Agree	Disagree	Other
Yes, see below		
<p>The question focuses on “primary infringement”. As we record in the response to question 1, we understand the Law Commission to be using the term “primary infringement” not in the sense that this phrase is used in any relevant legislation, but as a shorthand way of referring to those acts in respect of which threats can be made without risk of a groundless threats action. In that context, our view is as follows:</p> <p>The threats provisions should be extended to be consistent with the 2004 patent provisions, subject however to our comments suggesting modifications to the operation of the 2004 patent provisions as set out below in answer to questions 14 to 20 and 25 to 27. In essence, this would:</p> <ul style="list-style-type: none"> (1) permit enquiries to be made of any person(s) for the purpose of establishing the trade source within the UK of the design/product in issue; (2) permit threats to be made to any person(s) who is effectively the trade source of the design/product in issue within the UK to bring proceedings for infringement alleged to consist of doing anything else in relation to the design/product; (3) permit threats to be made to any person(s) who deals in such designs/products in the UK, who fails to respond to the enquiries referred to in (1), to bring proceedings for infringement alleged to consist of doing anything else in relation to the design/product; and (4) allow an adequately detailed notification of the rights held to be given – see answer to question 14 below for more detail. <p>What rights holders need to know is who they can threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient, including expressly mentioning the sale of articles (which is consistent with the CPR).</p>		

Question 8 If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article? (8.16)

Yes	No	Other
Yes, but see comment in answer to question		

6 about “intention” and <i>quia timet</i> actions .		

Question 9 Should the legislation exclude threats made to any other parties, such as the designer who produced the design document? (8.16)

Yes	No	Other
Yes, see below.		
<p>We agree the “maker of a design document” is an “effective trade source” and, as such, the provisions should permit threats to bring proceedings for infringement alleged to consist of doing anything to be permitted against such person(s). The mischief which the threats provisions are intended to prevent is threats against persons who have no interest in fighting infringement proceedings and so can be induced simply by a threat of proceedings to stop dealing in an allegedly infringing product or design. The maker of a design document is in a quite different position.</p>		

Trade marks

Question 10 Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended? (8.32)

Agree	Disagree	Other
Yes, see below.		
<p>The question focuses on “primary infringement”. As noted above in the answer to questions 1 and 7, this is a “term of art” in relation to some rights. The term “primary infringement” is not used in the Trade Marks Act 1994 nor in the Community Trade Mark Regulation. Where the term is used in relation to other rights, its meaning varies from right to right. The term is not used in any of the threats provisions at all.</p> <p>We agree that the threats provisions should be extended to be consistent with the 2004 patent provisions (as modified following this Consultation) and thereby also consistent with the modified threats provisions in relation to designs (see question 7).</p>		

Question 11 If so, should the provisions exempt a threat, made to a person who:

- (1) has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or
- (2) has imported goods to which the mark has been applied or to their packaging (or intends to do this),

where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark? (8.32)

Yes	No	Other
Yes, but see comment in answer to question 6 about “intention” and <i>quia timet</i> actions .		

Question 12 Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark. (8.32)

Agree	Disagree	Other
	We disagree with this proposal. See below.	
<p>In our view, the concerns identified in the consultation paper in relation to services are over-stated. The provision of branded services is different to 'down the chain' dealings in commodities. There is likely to be a commercial relationship governing the provision of the branded services in question and, therefore, there are likely to be appropriate contractual protections in place relating to any claims arising.</p> <p>In our view, the case for extending the threats provisions to those who apply the mark or import goods or packaging to which the mark has been applied applies equally to those who supply services under the mark. In other words, if writing to the supplier of services under the mark, it should be permissible to threaten proceedings for infringements alleged to consist of doing anything else in relation to the mark (for example, advertising those services).</p> <p>This extension would also then be consistent with the proposed extension in relation to designs (see questions 7 and 8) and with the (modified) 2004 patent provisions (on which point, we repeat our comments in answer to question 6 about "inention").</p>		

Protection for legal advisers

Question 13 Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client? (8.40)

Agree	Disagree	Other
Yes we agree.		
<p>The provisions can indeed drive a wedge between adviser and client even if the adviser is not sued. A tension may be created between adviser and client if there is a perceived lack of willingness to write a letter. Such tension can be increased if there is a need to obtain an indemnity from the client in respect of liability for threats or to include such provisions in standard terms and conditions of engagement.</p> <p>We agree that intellectual property litigation tends to be a niche specialisation, and not all legal advisers are fully aware of the threats provisions and may find themselves caught unawares when facing a legal action.</p>		

Whilst some advisers may abuse their position (cf *Antec v South West Chickens* [1997] FSR 278, we consider that there are sufficient other sanctions available to discourage such behaviour, as indeed was hinted at by Laddie J. in that judgment. In most instances joining the adviser in a legal action alongside the rights holder is indeed to secure a tactical advantage rather than out of a genuine need for redress, and is a distraction from the core issue of alleged infringement. Costs are increased and time is wasted.

The prospect of the legal adviser being sued can often result in letters being sent out on the headed paper of the rights holder which can look weaker than a lawyer's letter or incorrectly indicate that the rights holder does not regard the matter seriously. This is a particular problem for SMEs seeking to enforce their rights.

We are not aware of any evidence that the lack of or removal of liability for advisers in other jurisdictions has caused problems generally or resulted in greater abuse by rights holders. Competent advisers will still be required to make clients aware of the threats provisions and risks of failing to comply with them.

Lawyers are regularly asked (indeed expected under the CPR) to write letters setting out their clients' rights. Whilst lawyers' letters may occasionally contain defamatory material we do not accept that there is the simple, or compelling, analogy.

Please also see our response to question 35 below.

Legitimate approaches to secondary infringers

There can be real benefits in allowing a rights holder and an alleged secondary infringer to discuss their differences openly and without fear of incurring liability under the threats provisions. Litigation and disruption to business could be avoided or a valuable stream of revenue acquired through the grant of a licence. The current exemptions for mere notification of a right or the provision of factual information are not satisfactory. The difference in the effect on the recipient of a notice or the factual information and that of an implicit threat may be vanishingly small.

We recognise, however, that by permitting certain types of approaches to a secondary infringer to be made this may introduce a risk of abuse. A threat could be "dressed up" in the guise of legitimate communication. We consider therefore, that an important check on the potential for abuse would be to require that the communication must be made in good faith.

Mere notification and factual information

Question 14 Do consultees agree that there should not be a general exemption for the mere notification of a right or the provision of factual information? (8.55)

Agree	Disagree	Other
	We disagree, see below.	
<p>We believe what constitutes “mere notification” is clear and necessary - see examples below.</p> <p>We agree that “providing factual information” (about the right) is not and should be amended.</p> <p>There can be circumstances where a person’s dealings in “infringing articles” do not amount to acts of infringement <u>at all</u> unless and until that person has been put “on notice” of the existence of the rights and thereby has “reason to believe” that articles may be “infringing articles”.</p> <p>By way of example:</p> <ul style="list-style-type: none"> - This is the case in respect of “secondary infringements” of copyright (sections 22 to 24, and probably also sections 25 to 26, CDPA 1988) and acts of importation or sale etc under UK unregistered design right (section 227 CDPA 1988). - Similarly, section 17(5)(b) of the Trade Marks Act 1994 defines “infringing articles” as “articles (a) which are specifically designed or adapted for making copies of a sign identical or similar to that mark and (b) which a person has in his possession custody or control, <i>knowing or having reason to believe</i> that they have been or are to be used to produce infringing goods or materials”. - Notice may need to be given in order to place a possible defendant on notice to accord with the mental element impliedly required by the criminal provisions of Section 92 Trade Marks Act 1994 (<i>cf: Stockton -on- Tees v Kahraman [2006] EWHC 1703; R v Johnstone [2003] 3 All ER 884</i>) <p>In any infringement situation requiring knowledge there may be good, and indeed necessary, reasons to simply be able to notify a potential infringer, particularly if they are not the “trade source in the UK”, of the existence of the rights.</p> <p>Moreover, in our view, the recipient would find the letter more helpful if it was permissible for the notification letter to also provide factual information to identify the article/design/product/process causing concern.</p> <p>It may be helpful for the rights holder to be able to legitimately state that “<i>this is a letter written in accordance with Section X of the Y Act</i>” so that the purpose of the letter is clear to all concerned.</p>		

Enquires to track down the trade source

Question 15 Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade marks and registered and unregistered design rights? (8.62)

Agree	Disagree	Other
Yes, we agree		
<p>See our answers to question 7, 10 and 12.</p> <p>What rights holders need to know is whom they can safely threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient (which is consistent with the CPR).</p>		

Question 16 If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right? (8.62)

Yes	No	Other
Yes. For detail, see answer to question 17 below.		

Question 17 If so, should assertions about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question? (8.62)

Yes	No	Other
Yes in part, see below.	No in part, see below.	
<p>(1) Yes, a rights holder should be able to state that its claimed right exists.</p> <p>(2): No, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(3): No, again, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(4): In our view, this should be for the purposes of “identifying the right” in question. For registered rights, this should be straightforward and a copy can simply be enclosed. For unregistered rights, this will inevitably require some level of detail.</p> <p>(5) In our view, this suggestion goes too far. This should be confined to identifying the design/product/article/process/mark/service in question, and to stating that the rights holder wishes to trace the source of such, and to permitting the rights holder to make enquiries for that purpose.</p> <p>In our view, it would be helpful for the rights holder to be able to legitimately state that <i>“this is a letter written in accordance with Section X of the Y Act”</i> so that the purpose of the letter is clear to all concerned.</p>		

Question 18 Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed? (8.62)

Yes	No	Other
Yes, see below.	We do not agree with paragraph 8.62 in the proposal.	
<p>The question is again framed in terms of the “primary infringer” which we understand has been used as ‘short hand’ to refer to the exempted acts in the various threats provisions.</p> <p>Subject to being able to write a mere notification/factual information letter (see our answer to question 14), we agree that the exemption for tracing the trade source in the UK should be limited to enquiries for that purpose.</p> <p>We do not agree that the exemption should be subject to a general requirement of “good faith” which would need to be developed by the court. Such a standard would bring inherent uncertainty to the law.</p>		

--

Notifications to those with an innocent infringement defence

Question 19 Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights? (8.73)

Agree	Disagree	Other
We agree.		
See our answer to question 14.		

Question 20 If so, should factual information about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, or registered or unregistered design rights and the product, process, or article in question? (8.73)

Yes	No	Other
Yes in part, see below.	No in part, see below.	
<p>(1) Yes, a rights holder should be able to state that its claimed right exists.</p> <p>(2): No, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(3): No, again, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p>		

(4): In our view, this should be for the purposes of “identifying the right” in question. For registered rights, this should be straightforward and a copy can simply be enclosed. For unregistered rights, this will inevitably require some level of detail.

(5) In our view, this suggestion goes too far. This should be confined to identifying the design/product/article/process/mark/service in question, and to stating that the rights holder wishes to trace the source of such, and to permitting the rights holder to make enquiries for that purpose.

In our view, it would be helpful for the rights holder to be able to legitimately state that “*this is a letter written in accordance with Section X of the Y Act*” so that the purpose of the letter is clear to all concerned.

Negotiations over licence terms

Question 21 Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions? (8.76)

Yes	No	Other
	No.	
<p>The question uses the term “secondary infringer”. As indicated above (cf. questions 1 and 7) we assume this is short hand, and a reference to someone other than the trade source in the UK. On that basis, our view is that this could enable a rights holder to extort licence fees from someone other than the trade source without ever engaging the trade source. If the threats provisions are to be retained, this would surely undermine their purpose. Licence terms should be negotiated with the trade source in the UK.</p>		

Question 22 If so,

- (1) when should it be legitimate to make such a threat?
- (2) Is a specific defence required? (8.76)

N/A

1	2

--	--

Question 23 Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions? (8.76)

Yes	No	Other
Yes, see below.		
<p>As we have noted above, the terms “primary infringer” and “secondary infringer” are terms of art and have specific meanings in relation to different rights, or have no meaning in relation to some rights.</p> <p><u>Stand-alone remedies for delivery up</u></p> <p>The provisions for the existing groundless threats remedies refer in each case to infringement proceedings:</p> <ul style="list-style-type: none"> • For trade marks, the threat has to be in relation to “<i>proceedings for infringement of a registered trade mark</i>” (S.21, Trade Marks Act 1994); • For registered designs, “<i>Proceedings for infringement of the right in a registered design</i>” (S.26, Registered Designs Act 1949); • For unregistered UK design right: “<i>Proceedings for infringement of design right</i>” (S.253 Copyright, Designs and Patents Act 1988); and • For Community design rights, “<i>Proceedings for infringement of a Community design</i>” (Regulation 2, Community Design Right Regulations 2005). <p>However, under the trade marks and designs legislation, there are, in each case, provisions specifically to enable the delivery up of infringing articles:</p> <ul style="list-style-type: none"> • S.16, Trade Marks Act 1994; • S. 230 Copyright, Designs and Patents Act 1988; • S. 24C Registered Designs Act 1949; and • Regulation 1B, Community Design Right Regulations 2005. <p>Although there is entitlement to delivery up under these provisions, the proceedings are not for “infringement” as such (either primary or secondary), but rather relate to the infringing articles themselves. The action is directed against anyone who happens to have infringing articles in their possession, custody or control, for commercial purposes but there is no knowledge requirement: in short, the possessor may well not be an infringer at all.</p>		

It is not clear, therefore, whether a letter threatening the issue of an application for delivery up of the relevant infringing articles under these provisions (as opposed to seeking a remedy following full infringement proceedings) are “infringement proceedings” within the meaning of the relevant groundless threats provisions.

In order to ensure that the position is clear, we would suggest that it be confirmed in any new legislation that an application for the particular remedies directed only towards delivery up of infringing articles are indeed encompassed within the meaning of “*Infringement proceedings*” in the context of the threats provisions relating to trade mark and designs.

A requirement of good faith

Question 24 Should a good faith requirement apply to the three specific defences, which are set out above? (8.77)

Yes	No	Other
	No, see below.	
<p>It is not clear which “three defences” are being referred to.</p> <p>In any event, we do not agree that the exemptions should be subject to a general requirement of “good faith” which would need to be developed by the court. Such a standard would bring inherent uncertainty to the law. We believe that cases of bad faith can be dealt with in other ways, either because the perpetrator commits another tort, or a regulator’s intervention will be an effective deterrent. (cf the <i>Antec</i> case referred to at question 13 above).</p>		

Threats to the secondary infringer where the primary infringer cannot be found

Question 25 Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights? (8.82)

Agree	Disagree	Other
Yes, but see below.		

<p>See our answer to questions 7, 10 and 12.</p> <p>However, section 70(6) Patents Act (and any new equivalents) should be amended to change “best endeavours” to “reasonable endeavours”.</p> <p>By way of example, if a rights holder writes to a retailer to ask for the source and that retailer refuses to divulge the information, the rights holder should at that point be protected and be free to threaten that retailer with proceedings for infringement alleged to consist of doing any infringing act.</p> <p>“Best endeavours” has a specific meaning in (contract) law which implies essentially doing everything within the rights holder’s power, including for example, hiring enquiry agents etc.</p> <p>“Reasonable endeavours” would presumably include at least writing a “source tracing” letter to the target in question first, to ask them to identify the source.</p> <p>In our view, the provisions should not require a rights holder to go to extraordinary lengths, or write to an extraordinary number of potential targets, potentially over an extended period of time, to try to find the trade source. Indeed, writing multiple letters to multiple retailers could have an overall chilling effect on the market for the goods, which is the very reason the threats provisions exist in the first place.</p> <p>.</p>		

Question 26 If so, should the provisions state that:

- (1) A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?
- (2) That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer? (8.82)

Yes	No	Other
		See below.
<p>In response to (1), we agree that a defence should be available where reasonable endeavours (note, not “all practical steps”) have been made to identify the primary infringer but have not been successful. The reference to “all practical steps” could place unduly onerous obligations on the person issuing the threat as disproportionately costly or lengthy investigations may need to be carried out before the defence is available. It is more balanced to provide a defence when reasonable steps have been taken to identify the primary infringer as that strikes a fair balance between the competing interests.</p>		

For the purpose of clarity and harmony, we also suggest that a similar amendment is made to S.70(6) of the Patents Act 1977 to delete the reference to use of “best endeavours” and instead refer to “reasonable endeavours” having been taken to identify the primary infringer.

In response to question (2), we do not agree that the recipient of the threat should be notified in detail of all the actual steps which have been taken to identify the primary infringer. It should be stated to be sufficient to identify in the letter that reasonable endeavours have been taken to identify the primary infringer, but they have not been successful which is why the secondary infringer has been contacted. Again, for clarity and harmony, we propose that S.70(6) of the Patents Act 1977 is amended to clarify that it is not necessary to actually list the best endeavours (or, as we propose “reasonable endeavours”) which have been carried out to identify the primary infringer, but simply to state that such steps have been taken without success.

Invalid patents - the "good faith" defence

For patents, a claimant in a threats action will not succeed where the threatener shows that at the time of making the threat it did not know and had no reason to suspect that the patent was invalid. We think that the defence is unsatisfactory. In particular this is because a threat in respect of an invalid patent can still cause loss; the risk that the right is invalid should fall on the threatener and not the party who incurred the loss. Also, the defence denies the claimant all remedies including a declaration that the patent has not been infringed and an injunction to stop the threats. As the defence arises at such a late stage in a dispute it will not protect a genuine rights holder from having a threats action brought against them.

Question 27 Do consultees agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed? (8.86)

Agree	Disagree	Other
See below		
<p>We agree with each of the six reasons given in paragraph 8.85 as to why S.70(2A)(b) should be repealed.</p> <p>In relation to the fourth point, we note that in many patent cases there is a "squeeze", for example between insufficiency and obviousness – see for example the Court of Appeal's judgment in <i>Haliburton v Smith</i> [2006] EWCA 1717 at paragraph 22. An advisor may confidently advise that the patent is invalid, but it may be difficult to predict whether the Court will decide on the basis of insufficiency or obviousness – the result may depend on how the patentee puts its case at trial. In such a case the patentee may have been advised that its patent was invalid but has, quite possibly, a 50/50 chance of avoiding liability for a threats action. It will be unclear, almost certainly until the evidence in the proceedings is complete, on which ground the Court will find the patent invalid.</p> <p>Further, the provision provides a perverse incentive for patentees not to seek advice on the validity of their patent before issuing threats.</p>		

CHAPTER 9: A WIDER APPROACH?

There are several gaps in the protection offered by the threats provisions. The provisions do not apply where proceedings are issued before a threat is made. They do not apply to notifications that fall short of a threat, but which may still have a detrimental effect. They do not apply to threats to sue for a related right, such as passing off. Finally, they do not cover threats to sue in respect of a Community right where proceedings will be brought elsewhere in the EU.

Question 28 Are problems caused in practice by the failure of the groundless threats provisions to cover:

- (1) Cases where court proceedings are issued prior to a threat being made?

- (2) Allegations which fall short of threats?
- (3) Threats to sue for a related cause of action, such as passing off or breach of confidence?
- (4) Threats to sue elsewhere in the EU? (9.10)

Yes	No	Other
		See below.
<p>(1) this is not a “gap”: this is a consequence of the rights holder putting his money where his mouth is and issuing proceedings, not merely waiving threats about in the market. We are not aware of problems being caused in practice by this. The proceedings have been commenced and the defendant can call for service of the claim form if he wants to. Moreover, the defendant can, if he wishes, continue to deal in the goods etc in issue until the outcome of the trial or, if interim relief is granted he will be protected by the cross undertaking in damages.</p> <p>(2) ‘crafting’ a letter which does not amount to an implied threat is currently very difficult to achieve. It would be preferable to have clearly stated rules so that rights holders know who they can threaten and about what, and they need to be able to set out their complete case against that recipient (which is consistent with the CPR).</p> <p>(3) in our view, the modifications would alleviate problems caused by this, because a complete letter before action could then be sent to the “trade source in the UK”.</p> <p>(4) no problems are caused in practice by threats to sue in another jurisdiction.</p> <p>However, as identified in the Consultation paper, the application of UK threats laws to European Union unitary rights can and does cause problems in practice for rights holders of EU-wide rights who are based or advised elsewhere in the EU. The case of <i>Best Buy</i> is an example of a Spanish lawyer writing a letter amounting to a threat of proceedings in the UK when the complaint was about infringement under EU wide trade mark rights.</p>		

Question 29 Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed? (9.10)

Yes	No	Other
	No.	

The gaps in the protection offered by the threats provisions could be addressed by creating a new tort of false allegations. The elements of the tort would be an allegation that relates to the infringement of a patent, trade mark or design right; that is made in the course of trade; and tends to discredit the establishment, goods or activities of a competitor.

Question 30 We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor. (9.46)

We prefer the evolutionary, rules-based approach which at least has the benefit of greater certainty.

The revolutionary approach would lead to a lengthy period of considerable uncertainty until the new tort had been developed by the courts.

THE FINANCIAL IMPACT OF REFORM

Question 31 We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes. (10.5)

The existence of the threats provisions adds expense because legal advice is not limited to infringement/validity prospects, but has to also cover a potentially complicated strategy decision about whether to write pre-action correspondence at all and how to frame any such letter, on whose headed notepaper, or whether to simply issue proceedings and thereby risk not complying with the “talk first” policy of the CPR.

Proceedings are inevitably issued at the outset (with the additional cost that entails) in cases including against the trade source in the UK, which would undoubtedly settle without proceedings being necessary if an ordinary letter before action could be safely sent.

While the threats provisions are present in part to prevent SMEs and smaller parties being bullied by big rights owners threatening their market, the provisions also adversely affect SMEs and smaller parties who are themselves rights owners, forcing them to either issue proceedings in cases where a settlement ought to be possible, or end up not attempting to enforce their rights at all.

Question 32 We welcome evidence from retailers and others about:

- (1) the frequency of threats concerning patent, trade mark and design rights infringement; and

- (2) how they react to such correspondence. (10.5)

We are solicitors, not retailers.

The evolutionary approach: costs and benefits

Question 33 We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers. (10.12)

What rights holders need to know is who they can threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient, including expressly mentioning the sale of articles (which is consistent with the CPR). Having clearly stated rules to achieve this should have costs savings because it would:

(1) avoid the problems discussed at question 28(2), namely the difficulties and added cost of crafting a letter within the current threats provisions, and 28(3), namely, enabling a rights holder to set out his complete case against a trade source, rather than relying in pre action correspondence only upon causes of action which do not have threats provisions;

(2) as a result, this would allow lawyers and rights holders to write a clear letter setting out their case against the trade source, which may lead to resolution of a dispute without having to start legal proceedings; and

(3) this would lead to further costs savings for those reasons set out in our answer to question 34 below.

Question 34 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of engaging an adviser to act and to draft pre-action correspondence? If so, by how much?
- (3) It would reduce the number of cases litigated? If so, how many cases might be affected? (10.12)

Agree	Disagree	Other
See (1) and (2) below.	See (3) below.	
<p>(1) yes, we agree.</p> <p>(2) yes, we agree, because it will be easier to advise clients.</p> <p>(3) Yes. It should reduce the number of cases where proceedings are commenced ahead of any approach being made and also reduce the number of Threats actions as it will be clearer what communications fall which side of the line. This should result in a small but not insignificant reduction in the number of cases litigated. It should increase pre-action dialogue.</p>		

Question 35 We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients. (10.18)

This would have a positive impact.

Advisors do get sued or threatened with threats actions, in practice.

Moreover, whilst professional indemnity insurers will need to be notified in the event of a threats action (or threatened threats action) against a client following a potentially negligent letter sent on behalf of a client which falls foul of the threats provisions, we doubt that professional indemnity insurers will be willing to pay for the defence on the professional advisers' behalf. We also doubt that a professional adviser's insurance policy, which covers his duty to his client, will necessarily cover an action against the firm itself for threats. A professional adviser is dependent instead on the covenant strength of any indemnity from the client in its client retainer. This will inevitably disadvantage SMEs.

This also means big law firms/attorney firms may be able to choose to self-insure, and smaller firms, perhaps more likely to have been retained by SMEs, are not in a position to do so.

We also agree with the observations in paragraph 10.18 of the consultation paper.

Reforms would avoid wedges being driven between client and adviser by strategic use of a threats action (or threatened threats action) against the professional adviser who has sent the letter and avoid the need to engage multiple advisers (and the additional costs of doing so) in such a situation.

There is no reason why the normal situation of the separation between the role of the advisor and the client should be different under this particular jurisdiction.

Question 36 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of legal advice? If so, by how much?
- (3) It would make it easier for small businesses to contact alleged infringers?
(10.18)

Agree	Disagree	Other
Yes, see below.		
<p>(1) yes, we agree.</p> <p>(2) yes, we agree because it will be easier to advise clients and possible to have conduct of correspondence even if it contains actionable threats.</p> <p>(3) yes (as explained in the answer to question 35), indeed, it would make it easier for all rights holders.</p>		

A wider approach: costs and benefits

Question 37 We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor. (10.22)

See answer to question 30.

Response #: 11

**Groundless Threats:
Completed Response**

Name:	The IP Federation
Category:	Other: Industry body
Email:	[REDACTED]
Address:	Fifth Floor, 63-66 Hatton Garden, London, EC1N 8LE
Telephone	[REDACTED]

Confidential: Off	
-----------------------------	--

Question <u>1)</u> Have the problems with the current law been correctly identified?
<u>Response:</u> Yes
<u>Comments:</u> We believe there is more force in the second and third problems outlined above than in the first - we do not generally perceive a problem with the current provisions being too narrow.
Question <u>2)</u> Do other problems exist?
<u>Response:</u> No
<u>Comments:</u>
Question <u>3)</u> Do consultees agree that protection against groundless threats of infringement proceedings should be retained?
<u>Response:</u> Yes
<u>Comments:</u>
Question <u>4)</u> If so, should this protection continue to apply to unregistered design right?
<u>Response:</u> Yes
<u>Comments:</u> There are arguments in both directions as to whether or not unregistered design rights should be included within the regime for unlawful threats, and we do not have a significant preference either way. However, in order to maintain certainty for businesses, we are generally in favour of maintaining the status quo unless there is a clear need for change.

<p>Question <u>5</u>)</p> <p>Do consultees agree that the law of groundless threats actions should be reformed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>As noted elsewhere, in order to maintain certainty, we favour the evolutionary approach suggested by the Law Commission over the more radical "wider" approach discussed in chapter 9 of the consultation document.</p>
<p>Question <u>6</u>)</p> <p>Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>In addition to this commonsense change, we might suggest going further such that section 70(4)(b) would apply whenever the person making the threat believed in good faith that the recipient was or was intending to make or import a product for disposal or to use a process. We do not believe it is unreasonable to threaten infringement proceedings in such circumstances, and we believe the party threatening proceedings should be able to do so without fear of a threats action (at least as far as any initial letter is concerned - things might well change once the threatener has been notified as to the recipient's actual intentions).</p>
<p>Question <u>7</u>)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>8</u>)</p> <p>If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>9</u>)</p> <p>Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>10</u>)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>

<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>Question <u>11)</u> If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>Question <u>12)</u> Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u> In the interests of simplicity and consistency, we would suggest that the exception should apply to all threats made to those who have supplied services under a mark. We also do not feel significant concern over the scenario outlined in paragraph 8.31 of the consultation document. As for whether the availability of the exemption should hinge on whether the recipient has "taken the commercial decision to brand the services using the mark", we believe this may be hard for rights holders to determine in advance, resulting in uncertainty for them. The availability or otherwise of any exemption should be readily determinable at the time of the making of the threat.</p>
<p>Question <u>13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>Question <u>14)</u> Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> We believe a rights owner should be able, one way or another, to put a potential infringer (even a secondary infringer) on notice of the rights holder's rights. Provided other exemptions are available that will allow this to be achieved, a general</p>

exemption for notifications is not needed.
<p>Question <u>15)</u></p> <p>Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>16)</u></p> <p>If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>17)</u></p> <p>If so, should assertions about the right include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>We are in favour of clarity as to exactly what can be said to potential infringers without the unlawful threats provisions being triggered. As such, a clear list of permitted statements/assertions such as the above would be welcomed.</p>
<p>Question <u>18)</u></p> <p>Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question <u>19)</u></p> <p>Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>20)</u></p> <p>If so, should factual information include the following:</p>

<p>The right exists? It is valid? It is in force? Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>21</u>) Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> Whilst we are generally in favour of clearly limiting the circumstances in which a threats action can be brought, a provision such as the above may be going too far. Depending on how such a provision was drafted, the possibility of a licensing negotiation could be used to cloak what would otherwise be an unlawful threat, making it relatively easy to side-line the unlawful threats provisions (eg the rights holder could simply demand an unreasonable royalty).</p>
<p>Question <u>22</u>) If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u> See above.</p>
<p>Question <u>23</u>) Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question <u>24</u>) Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> Whilst we recognise the desirability of a "good faith" standard, such a test could well be too woolly/uncertain to be desirable (eg case law may well be needed in order to establish which acts would qualify for good faith in respect of each of the different</p>

exemptions).
<p><u>Question 25)</u></p> <p>Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 26)</u></p> <p>If so, should the provisions state that:</p> <p>A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?</p> <p>That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 27)</u></p> <p>Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p> <p>Whilst we appreciate the problems with the current defence in s70(2A)(b), we would prefer to maintain the status quo and leave the provision unchanged.</p>
<p><u>Question 28)</u></p> <p>Are problems caused in practice by the failure of the groundless threats provisions to cover:</p> <p>Cases where court proceedings are issued prior to a threat being made?</p> <p>Allegations which fall short of threats?</p> <p>Threats to sue for a related cause of action, such as passing off or breach of confidence?</p> <p>Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>Whilst we are aware of each of the above approaches being taken, we are unable to comment on the extent to which this happens. In any event, we do generally not believe approaches (2), (3) or (4) are abusive or necessarily things that must be addressed/prevented. However, the approach in (1) will inevitably result in proceedings being issued prematurely and/or unnecessarily. There is therefore more of a case for restricting this type of behaviour.</p>
<p><u>Question 29)</u></p> <p>Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>

<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p>Question 30)</p> <p>We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p> <p>Whilst we agree that this approach would have its advantages, it would cause considerable uncertainty (and hence increased costs) in the short to medium term as any new regime bedded in. Given that the existing regime is familiar to litigants and their advisors, and given that we believe its current short comings can largely be addressed, we are in favour of a more incremental approach.</p>
<p>Question 31)</p> <p>We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p> <p>Whilst we are unable to provide quantitative data/evidence, we agree with the view expressed in the consultation document that the complexity and uncertainties of the current regime contribute considerably to legal costs. In particular, advisers must take considerable time and care ensuring that their correspondence is compliant with the relevant statutes and hence does not provoke an unlawful threats action. As per the remainder of our response, we are therefore in favour of greater clarity and consistency throughout.</p>
<p>Question 32)</p> <p>We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u></p>
<p><u>Comments:</u></p> <p>The IP Federation is unable to comment on this question.</p>
<p>Question 33)</p> <p>We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p>
<p>Question 34)</p> <p>Do consultees agree that:</p>

The costs of such a reform would be minimal?

It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?

It would reduce the number of cases litigated? If so, how many cases might be affected?

Response: Yes

Comments:

Question 35)

We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.

Response: N/A

Comments:

Question 36)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of legal advice? If so, by how much?

It would make it easier for small businesses to contact alleged infringers?

Response: Yes

Comments:

Question 37)

We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

As noted above, we believe the wider approach would lead to increased uncertainty and costs in the short to medium term. It is possible, but by no means certain (eg depending on how case law developed), that it would lead to reduced costs in the longer term.

Response #: 12

**Groundless Threats:
Completed Response**

Name:	Judges of the Court of Session
Category:	Solicitor, barrister, judge
Email:	
Address:	Court of Session, Parliament House, Parliament Square, Edinburgh EH1 1RQ
Telephone	

Confidential: Off	
-----------------------------	--

Question 1)

Have the problems with the current law been correctly identified?

Response: Yes

Comments: We note that the current project is limited to the law of groundless threats of infringement proceedings as the law applies to patents, trade marks and registered and unregistered design rights: see para.19 of the Introduction. Groundless threats of infringement proceedings in relation to copyright are excluded from the project, on the ground that the law relating thereto raises different and highly contentious issues. Passing off is also excluded.

We have no difficulty with limiting the current project in this way. However, we would suggest that the question of groundless threats in the context of copyright and passing off, and possibly other causes of action, should be addressed in the near future. One of the problems in the current legislation, which is highlighted in the Consultation Paper, is that a rights holder may be able to avoid a groundless threats claim by threatening proceedings for copyright infringement, passing off and other grounds of action not covered by the groundless threats legislation. This problem cannot be addressed satisfactorily without including these matters within the Consultation.

Further, if the purpose is to achieve some measure of consistency across the board, it would be desirable at least to consider the position in respect of copyright, passing off, etc., to be satisfied that they cannot be brought under the same regime or, even if they cannot, to see whether it casts any light on the current project.

Question 2)

Do other problems exist?

Response: No

<p><u>Comments:</u> We are not aware of any other problems</p>
<p>Question 3) Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question 4) If so, should this protection continue to apply to unregistered design right?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> We do not find this question easy. The absence (<i>ex hypothesi</i>) of any register enabling an infringer to check on the existence and ownership of the right might suggest that a rights holder should be free to assert his right in face of potential infringement, whether primary or secondary, without being subject to a groundless threats claim. But on balance we are persuaded that the protection should continue to apply.</p>
<p>Question 5) Do consultees agree that the law of groundless threats actions should be reformed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> We agree. The Consultation Paper identifies clearly the problems in the existing law.</p> <p>What should be done about those problems is a rather more difficult question.</p> <p>So far as concerns the relationship between the rights holder and the primary infringer, we consider that the proposals in the Consultation Paper deal satisfactorily with the most obvious problems.</p> <p>The position of secondary infringers is more complex. Although, as we note in our response to individual questions, we consider that the changes proposed in the Consultation Paper are sensible and, if enacted, would mark an improvement on the current position, we are not satisfied that they resolve the problems. We consider that the better approach, ultimately, is to take further the suggestion of introducing a new tort modelled on the Paris Convention and the Canadian legislation discussed at pages 133-140. This would require a more detailed study and consultation.</p>
<p>Question 6) Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>

<p><u>Question 7)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 8)</u> If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 9)</u> Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> We have no firm view on this matter. On balance we think that the legislation should not exclude threats to parties such as designers. The exclusion of threats to a person responsible for primary infringement is designed to allow threats to others seeking to profit by making or importing an infringing product. We do not think that the way should be opened up to allow threats to others, such as a designer, who may have no role in the manufacture or import of the product.</p>
<p><u>Question 10)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 11)</u> If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 12)</u> Do consultees agree that the exemption should not apply to all threats made to</p>

those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.
<p><u>Response:</u> yes</p> <p><u>Comments:</u> We agree. This is consistent with the approach underlying our answer to Q.9 above (concerning designers).</p>
<p><u>Question 13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree very strongly with this proposal, for the reasons identified in the Consultation Paper.</p>
<p><u>Question 14)</u> Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree, but the problem is one of interpretation in the particular circumstances of whether a communication goes beyond mere notification of a right or the provision of factual information and is really a veiled threat.</p> <p>This, so it seems to us, is an example of how attempts to improve the law in relation to the protection given to secondary infringers often results in further distinctions having to be drawn and, in effect, a shifting of the problem without resolving it. It is for this reason that, as indicated in our answer to Q.5 above, we consider that further thought should be given to the creation of the new statutory tort discussed at the end of the paper.</p> <p>Our detailed responses to the Questions which follow should be read subject to this overriding preference.</p>
<p><u>Question 15)</u> Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 16)</u> If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>

<p>We agree, but in the knowledge and expectation that, as mentioned above, such clarification is likely to lead to disputes about whether what has been done in a particular case goes beyond what is allowed.</p>
<p><u>Question 17)</u> If so, should assertions about the right include the following: The right exists? It is valid? It is in force? Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree, but if all this information is given by the right holder it is likely to be seen by the secondary infringer as a veiled threat, with the result that (without there being an actionable unjustified threat) he is likely to desist from the activity which the right holder wishes to stop.</p>
<p><u>Question 18)</u> Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 19)</u> Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree. But again it will be difficult to draw the line between this and a threat.</p>
<p><u>Question 20)</u> If so, should factual information include the following: The right exists? It is valid? It is in force? Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>

<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>21)</u> Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>22)</u> If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> We are not quite sure what (1) is getting at. The presumption underlying the question is that the permitted communication would not be a "threat". We have no comments to make in relation to (2).</p>
<p>Question <u>23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> We cannot think of any.</p>
<p>Question <u>24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> We consider that a good faith requirement should apply, rather than good faith being a discrete defence in its own right (see below), but we recognise that such a requirement may invite litigation.</p>
<p>Question <u>25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all</p>

<p>practical steps in the circumstances to identify the primary infringer but have not been successful?</p> <p>That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> We agree.</p> <p>However, we wonder if there is a danger of "practical" being construed as "possible". We do not understand the proposed test to require the right holder to take all possible or practical steps, however difficult or time consuming or expensive.</p> <p>We would have thought that an expression such as "all reasonably practical steps" or "all steps reasonably practicable in the circumstances" would make the position clearer.</p>
<p><u>Question 27)</u> Do consultees agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> We are not aware of any such problems occurring in Scotland, at least not in cases coming to court.</p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> We are not aware of any.</p>
<p><u>Question 30)</u> We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which</p>

cause or are likely to cause loss to a competitor.
<p><u>Response:</u> As stated above, we consider that careful thought should be given to the creation of a new statutory tort limited to the field of intellectual property. The existing legislative provisions are fragmented. While some of the problems in relation to direct infringers can easily be addressed, those relating to secondary infringers are more difficult to resolve. Any amendments risk simply pushing the problem (difficulties of interpretation and resultant uncertainty) elsewhere.</p> <p>Subject to further consultation, we would favour a fairly general provision (to reflect the Paris Convention), possibly along the lines of the Canadian legislation, leaving it for the courts to develop the law in dealing with individual cases.</p> <p><u>Comments:</u></p>
<p><u>Question 31)</u> We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> We have no comment on this aspect.</p> <p><u>Comments:</u></p>
<p><u>Question 32)</u> We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u> We have no comment on this aspect.</p> <p><u>Comments:</u></p>
<p><u>Question 33)</u> We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.</p>
<p><u>Response:</u> We have no comment on this aspect.</p> <p><u>Comments:</u></p>
<p><u>Question 34)</u> Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much? It would reduce the number of cases litigated? If so, how many cases might be affected?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> We have no comment on this aspect.</p>
<p><u>Question 35)</u> We welcome evidence on the impact of providing protection against liability for legal</p>

advisers for making threats of infringement proceedings when acting on behalf of clients.
<p><u>Response:</u> We have no comment on this aspect.</p> <p><u>Comments:</u></p>
<p>Question <u>36)</u></p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> We have no comment on this aspect.</p>
<p>Question <u>37)</u></p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u></p> <p>While we welcome this approach in principle, we cannot comment on the likely impact.</p>



Response by the Law Society of England and Wales (Intellectual Property Working Party) to the consultation paper: "Patents, Trade Marks and Design Rights: Groundless Threats – a consultation paper" (CP 212).

The Law Society of England and Wales is the largest professional body for lawyers in the United Kingdom. It was originally established in 1825 and it works to support and represent its members, promoting the highest professional standards and the rule of law.

As at 31 July 2012 there were 165,971 solicitors on the roll of whom 128,778 had practicing certificates. Trainees are represented by the Law Society and it registered 4,869 training contracts in the 12 month period to 31 July 2012. In total there are approximately 10,100 private practice firms registered in England and Wales.

Only a small percentage of solicitors would identify themselves as specialists in intellectual property. However, almost any commercial lawyer, litigation lawyer or general practice lawyer will often be dealing with clients who do have some intellectual property (copyright, designs, trade marks or patents) and, occasionally, the solicitor and/or the client may either be seeking to enforce intellectual property rights or be on the receiving end of an intimation of a claim.

Accordingly, the possible impact of threats provisions is far wider than the specialist intellectual property area and is likely to be of relevance to a significant proportion of the Law Society's membership.

The issue of "groundless threats" has, for some time, been a concern of The Law Society: its 2006 paper "*Threats Action: Recommendations of the Law Society's Intellectual Property Working Party*" sets out in detail problems in relation to this area in law.

The Law Society's concerns have not diminished since then: it remains a problematic area where many practitioners and their clients, can fall foul of the complexity of the rules with any obvious method to side step the rules running directly counter to the overriding principle of the Civil Procedure Rules. The existence of the rules means that:-

- experienced intellectual property practitioners, recognising the impact of the law, often have to craft and send opaque letters falling short of threats;
- some determine that the better course is simply to issue proceedings without any prior notification - however anodyne, they consider, based on the case law, that a notice letter may still be interpreted as a threat;
- business and other law firms, seeking to identify the meaning of such anodyne notification letters may be puzzled or misled by the real intent behind the letter – particularly when no undertakings are called for or deadlines specified.
- businesses may inappropriately ignore what could be a serious matter, possibly expecting a follow up cease and assist letter
- equally, businesses who hold a trade mark or registered design may choose to assert their rights without feeling there is any immediate necessity for lawyers to become involved and, thereby, become themselves a possible target of proceedings of groundless threats.
- the existence of the legislation means that solicitors often have to call for either an indemnity from the client or request or require that the client themselves sends the letter on their headed notepaper.

Although, therefore, we see that the evolutionary proposals set out in your consultation paper seek to ameliorate the effect of these proposals there still remains the problem of rights holders asserting, fairly, a notification to secondary infringers which can render

them (even if the lawyer is exempt) from a groundless threat action.

We cannot see, therefore, that the evolutionary proposals put forward fully reconcile the uncertainties, difficulties and capricious effect of these rules.

For these reasons, a number (but not all) members of the Law Society Intellectual Property Working Party maintain the position that the threats regime be abolished.

Others recognise that there is a public interest in protecting recipients of letters from threats that are groundless and accept that the threats provisions should remain.

We recognise, however, that the Law Commission places some emphasis on either an amended set of provisions relating to groundless threats or, alternatively, the development of a new statutory tort.

Accordingly, the Law Society's position is if a proposal for abolition were not like to find favour either with Law Commission or the legislature then the Law Society would support changes to the existing threats provisions.

The text of the following has been adopted from the response prepared from the Intellectual Property Lawyers Association (IPLA). Three members of the Law Society's Intellectual Property Working Party contributed to the text of the IPLA submission. You will therefore see the text closely follows or is the same as the IPLA submission apart from in occasional instances.

The following sets out the Questions raised by the Law Commission and our responses in red.

Question 1 Have the problems with the current law been correctly identified? (7.92)

Yes	No	Other
		See below.
<p>Taking the problems referred to in the question in turn:</p> <ol style="list-style-type: none">1. We do not agree that the provisions are too narrow or are easy to avoid using loopholes. They are not easy to avoid. Rights holders often have to start proceedings because it is not possible to 'craft' a letter which does not fall foul of the provisions. We think extending threats to copyright and passing off is an unnecessary complication.2. We agree that it is unsatisfactory for the threats provisions to apply to types of activity – it would be better if they applied to types of recipient.3. We agree that the provisions applying to legal advisers in their professional capacity is problematic. See our answer to question 13.4. We agree that for the rights where threats provisions apply, those provisions being inconsistent across those rights is problematic. <p>In the Consultation Paper, the term “primary infringer” and “primary infringement” are used in a different way to how those terms may be defined in relevant statute and to how those terms are generally understood by IP lawyers. Where these terms are defined in statute, acts of “primary” infringement generally identify acts where the infringer does not need to have any knowledge of the relevant rights to</p>		

infringe. In contrast, defined acts of “secondary infringement” require a degree of knowledge (for example, S.226 and S.227 of the Copyright, Designs and Patents Act 1988).

It is understood that the Law Commission uses the term “primary infringement” and “primary infringer” as shorthand to refer to those acts in respect of which a threat can be made without falling foul of the threats provisions. Although there is overlap between acts which are defined acts of “primary infringement”, and those acts which are exempted from the threats provisions, they are not the same.

Question 2 Do other problems exist? (7.92)

Yes	No	Other
Yes, see below.		
<p>As referred to in the Consultation Paper at paragraph 36, there exists an inherent tension between the policy objective of the CPR and overriding objective, and the threats provisions. The policy of encouraging “talk first” and of compliance with the Practice Directions on Pre Action Conduct (even though there is no specific IP pre-action protocol) conflict with the straightjacket imposed by the threats provisions. Issuing an actionable threat automatically opens up the maker of the threat, including at present the professional on whose notepaper the letter may be written, to a head of damage which simply would not have existed but for the threats provisions.</p> <p>In this context, whilst threats can be issued in the context of genuine without prejudice negotiations, it is usually practically impossible in an infringement situation to open those negotiations on a without prejudice basis – the recipient needs to know he is in a potential dispute, if he is to try to settle it. The difficulties are illustrated by the <i>Best Buy</i> case (referred to at 5.39-5.42 of the Consultation Paper) where the High Court decided that the threat was issued in privileged correspondence, and the Court of Appeal disagreed.</p> <p>Further, with increased litigation in respect of community trade marks and the new patent regime, and more publicity regarding threats, there is the potential for unexpected disparities to arise with regard to the enforcement of the same rights - either in different countries or, even if in the United Kingdom, by reason of the location from where or into which a threat has been issued or received.</p> <p>Lawyers and rights holders (or indeed defendants), alert to, for instance, the circumstances of the <i>Best Buy</i> case (see 5.39) or the <i>Kenburn Waste</i> case (5.37) may alter their actions in order either to side step or increase the impact of the reach of the UK's existing threats regime.</p>		

At present, there are strong disincentives to instructing United Kingdom lawyers to issue letters before action in claims in respect of infringement of IP rights subsisting in more than one country. Why use a UK lawyer with the associated risks for them and the client when an appropriate letter sent from, for instance, another part of the EU can be issued without complication, discussion or jeopardy?

Question 3 Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

Agree	Disagree	Other
	See Introduction (pages 1 and 2 above)	

Question 4 If so, should this protection continue to apply to unregistered design right? (7.92)

Yes	No	Other
Yes, but in modified form.		

Question 5 Do consultees agree that the law of groundless threats actions should be reformed? (7.92)

Agree	Disagree	Other
Yes.		

CHAPTER 8: AN EVOLUTIONARY APPROACH

Excluding threats to those who intend an act of primary infringement

Patents

Question 6 Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process? (8.11)

Agree	Disagree	Other
		See below.
<p>In our view, a provision which depends on 'intention' will be evidentially problematic. 'Intention' may prove difficult to define and prove and in our view this proposal risks making the law more complicated and uncertain.</p> <p>Given that relief is available from the courts in respect of threats to infringe, we suggest any such extension to section 70(4)(b) may be better characterised by reference to those who "<i>threaten to infringe</i>" by making or importing or using a process.</p> <p>S.70(4)(b) was introduced so that the patentee could discuss legitimate claims with the trade source without having to draft letters around statutory provisions, so that a groundless threats action cannot be brought by a person who stands in a primary relationship to the infringing product.</p> <p>The patentee is still in the position after 70(4)(b) of having to draft letters around the legislation. In the interests of not preventing genuine pre-litigation negotiations between the patentee and primary infringer, it should be made clear in the legislation that a groundless threats action cannot be brought by a primary infringer in respect of threats made to it by the patentee, regardless of the acts referred to by the patentee. The acts of infringement which a patentee can raise with the primary infringer, against which the primary infringer will have no cause of action in unjustified threats should include acts of secondary infringement whether by the primary infringer or by its customers.</p>		

Extending the 2004 reforms for patents to registered and unregistered design rights and trademarks

Registered and unregistered design rights

Question 7 Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended? (8.16)

Agree	Disagree	Other
Yes, see below		
<p>The question focuses on “primary infringement”. As we record in the response to question 1, we understand the Law Commission to be using the term “primary infringement” not in the sense that this phrase is used in any relevant legislation, but as a shorthand way of referring to those acts in respect of which threats can be made without risk of a groundless threats action. In that context, our view is as follows:</p> <p>The threats provisions should be extended to be consistent with the 2004 patent provisions, subject however to our comments suggesting modifications to the operation of the 2004 patent provisions as set out below in answer to questions 14 to 20 and 25 to 27. In essence, this would:</p> <ul style="list-style-type: none"> (1) permit enquiries to be made of any person(s) for the purpose of establishing the trade source within the UK of the design/product in issue; (2) permit threats to be made to any person(s) who is effectively the trade source within the UK of the design/product in issue to bring proceedings for infringement alleged to consist of doing anything else in relation to the design; (3) permit threats to be made to any person(s) who deals in such designs/goods in the UK who fails to respond to the enquiries referred to in (1) to bring proceedings for infringement alleged to consist of doing anything else in relation to the design; and (4) allowing an adequately detailed notification of the rights held to be given – see answer to question 14 below for more detail. <p>What rights holders need to know is who they can threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient, including expressly mentioning the sale of articles (which is consistent with the CPR).</p>		

Question 8 If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article? (8.16)

Yes	No	Other
Yes, see below.		

In our view, a provision which depends on 'intention' will be evidentially problematic. 'Intention' may prove difficult to define and prove and in our view this proposal risks making the law more complicated and uncertain.

Given that relief is available from the courts in respect of threats to infringe, we suggest any such extension to the threats exemption for designs may be better characterised by reference to those who “*threaten to infringe*” by making or importing.

Question 9 Should the legislation exclude threats made to any other parties, such as the designer who produced the design document? (8.16)

Yes	No	Other
Yes, see below.		
We agree the “maker of a design document” is an “effective trade source” and, as such, the provisions should permit threats to bring proceedings for infringement alleged to consist of doing anything to be permitted against such person(s).		

Trade marks

Question 10 Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended? (8.32)

Agree	Disagree	Other
Yes, see below.		
<p>The question focuses on “primary infringement”. As noted above in the answer to questions 1 and 7, this is a “term of art” in relation to some rights. The term “primary infringement” is not used in the Trade Marks Act 1994 nor in the Community Trade Mark Regulation. Where the term is used in relation to other rights, its meaning varies from right to right. The term is not used in any of the threats provisions at all.</p> <p>We agree that the threats provisions should be extended to be consistent with the 2004 patent provisions (as modified following this Consultation) and thereby also consistent with the modified threats provisions in relation to designs (see question 7).</p>		

Question 11 If so, should the provisions exempt a threat, made to a person who:

- (1) has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or

- (2) has imported goods to which the mark has been applied or to their packaging (or intends to do this),

where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark? (8.32)

Yes	No	Other
Yes, but see below regarding 'intention'.		
<p>In our view, a provision which depends on 'intention' will be evidentially problematic. 'Intention' may prove difficult to define and prove and in our view this proposal risks making the law more complicated and uncertain.</p> <p>Given that relief is available from the courts in respect of threats to infringe, we suggest any such extension to the threats exemption for trade marks may be better characterised by reference to those who "<i>threaten to infringe</i>" by applying a mark to goods or their packaging, importing goods or their packaging to which the mark has been applied.</p>		

Question 12 Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark. (8.32)

Agree	Disagree	Other
	We disagree with this proposal. See below.	
<p>In our view, the concerns identified in the consultation paper in relation to services are over stated. The provision of branded services is different to 'down the chain' dealings in commodities. There is likely to be a commercial relationship governing the provision of the branded services in question and, therefore, there are likely to be appropriate contractual protections in place relating to any claims arising.</p> <p>In our view, the case for extending the threats provisions in relation to those who apply the mark or import goods or packaging to which the mark has been applied applies equally to those who supply services under the mark. In other words, if writing to the supplier of services under the mark, it should be permissible to threaten infringement proceedings alleged to consist of doing anything else in relation to the mark (for example, advertising those services).</p> <p>This extension would also then be consistent with the proposed extension in</p>		

relation to designs (see questions 7 and 8) and with the (modified) 2004 patent provisions. On which point, we repeat our reservations over introducing “intention” to any of the threats provisions (see questions 8 and 11) and our suggestion that the extension may be better characterised by reference to those who “*threaten to infringe*” by supplying services under the mark.

Protection for legal advisers

Question 13 Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client? (8.40)

Agree	Disagree	Other
Yes we agree.		
<p>The provisions can indeed drive a wedge between adviser and client even if the adviser is not sued. A tension may be created between adviser and client if there is a perceived lack of willingness to write a letter. Such tension can be increased if there is a need to obtain an indemnity from the client in respect of liability for threats or to include such provisions in standard terms and conditions of engagement.</p> <p>This is a significant (and live) issue. In <i>Reckitt Benkiser</i> case [2004] FSR 774 Laddie J determined that: ‘... However, on balance, it is likely that the major or only real purpose of the attempted joinder of the [solicitors] is to retaliate, which is unobjectionable, and to make [the solicitors] and their relationship with the claimant uncomfortable. The latter is an illegitimate purpose of the counterclaim. This is the sort of issue for which it would have been appropriate to exercise proportionate case management powers. Had [the solicitors] already been parties to the proceedings ... it would be appropriate to stay the threats claim against them ... As it is ... it seems to me appropriate to refuse to allow them to be joined in the action ...’.</p> <p>This demonstrates that there are indeed determined attempts (even if ultimately unsuccessful), on occasions, to drive this wedge between solicitor and client and that threats actions can themselves be used unfairly and unreasonably.</p> <p>We agree that Intellectual property litigation is complex, and not all legal advisers are fully aware of the threats provisions and may find themselves caught unawares when facing a legal action.</p> <p>Whilst some advisers may abuse their position (cf <i>Antec v South West Chickens</i>, [1997 FSR 278] we consider that there are sufficient other sanctions available to discourage such behaviour, as indeed was hinted at by Laddie J. in that judgment. In most instances the prospect of the adviser being included in a legal action alongside the rights holder is indeed used to try and drive a wedge between them as a tactical measure rather than deal with the core issue of alleged infringement. Costs are increased and time is wasted.</p> <p>The threat of the legal adviser being sued can often result in letters being sent out on the headed paper of the rights holder which can look weaker than a</p>		

lawyer's letter or incorrectly indicate that the rights holder does not regard the matter seriously. This is a particular problem for SME's seeking to enforce their rights.

There is no evidence that the lack of or removal of liability for advisers in other jurisdictions has caused problems generally or resulted in greater abuse by rights holders. Competent advisers will still be required to make clients aware of the threats provisions and risks of failing to comply with them.

Lawyers are regularly asked (indeed expected under the CPR) to write letters setting out their clients' rights. Whilst lawyers' letters may occasionally contain defamatory material we do not accept that there is the simple, or compelling, analogy,

Please also see our response to question 35 below.

Legitimate approaches to secondary infringers

There can be real benefits in allowing a rights holder and an alleged secondary infringer to discuss their differences openly and without fear of incurring liability under the threats provisions. Litigation and disruption to business could be avoided or a valuable stream of revenue acquired through the grant of a licence. The current exemptions for mere notification of a right or the provision of factual information are not satisfactory. The difference in the effect on the recipient of a notice or the factual information and that of an implicit threat may be vanishingly small.

We recognise, however, that by permitting certain types of approaches to a secondary infringer to be made this may introduce a risk of abuse. A threat could be "dressed up" in the guise of legitimate communication. We consider therefore, that an important check on the potential for abuse would be to require that the communication must be made in good faith.

Mere notification and factual information

Question 14 Do consultees agree that there should not be a general exemption for the mere notification of a right or the provision of factual information? (8.55)

Agree	Disagree	Other
	We disagree, see below.	
We believe what constitutes "mere notification" is clear and necessary - see examples below.		
We agree that "providing factual information" (about the right) is not and should be amended.		

There can be circumstances where a person's dealings in "infringing articles" do not amount to acts of infringement at all unless and until that person has been put "on notice" of the existence of the rights and thereby has "reason to believe" that articles may be "infringing articles".

By way of example:

- This is the case in respect of acts of importation under UK unregistered design right.
- Similarly, section 17(5)(b) of the Trade Marks Act 1994 defines "infringing articles" as "articles (a) which are specifically designed or adapted for making copies of a sign identical or similar to that mark and (b) which a person has in his possession custody or control, knowing or having reason to believe that they have been or are to be used to produce infringing goods or materials".
- Notice may need to be given in order to place a possible defendant on notice to accord with the mental element impliedly required by the criminal provisions of Section 92 Trade Marks Act 1994 (*cf: Stockton -on-Tees v Kahraman [2006] EWHC 1703; R v Johnstone [2003] 3 All ER 884*)

In any infringement situation requiring knowledge there may be good, and indeed necessary, reasons to simply be able to notify a potential infringer, particularly if they are not the "trade source in the UK", of the existence of the rights.

Moreover, in our view, the recipient would find the letter more helpful if it was permissible for the notification letter to also provide factual information to identify the article/design/product/process causing concern.

It may be helpful for the rights holder to be able to legitimately state that "*this is a letter written in accordance with Section X of the Y Act*" so that the purpose of the letter is clear to all concerned.

Enquires to track down the trade source

Question 15 Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade marks and registered and unregistered design rights? (8.62)

Agree	Disagree	Other
Yes, we agree		
See our answers to question 7, 10 and 12.		

What rights holders need to know is who they can safely threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient (which is consistent with the CPR).

Question 16 If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right? (8.62)

Yes	No	Other
Yes. For detail, see answer to question 17 below.		

Question 17 If so, should assertions about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question? (8.62)

Yes	No	Other
Yes in part, see below.	No in part, see below.	
<p>(1) Yes, a rights holder should be able to state that its claimed right exists.</p> <p>(2): No, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(3): No, again, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p>		

(4): In our view, this should be for the purposes of “identifying the right” in question. For registered rights, this should be straightforward and a copy can simply be enclosed. For unregistered rights, this will inevitably require some level of detail.

(5) In our view, this suggestion goes too far. This should be confined to identifying the design/product/article/process/mark/service in question, and to stating that the rights holder wishes to trace the source of such, and to permitting the rights holder to make enquiries for that purpose.

In our view, it would be helpful for the rights holder to be able to legitimately state that “*this is a letter written in accordance with Section X of the Y Act*” so that the purpose of the letter is clear to all concerned.

Question 18 Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed? (8.62)

Yes	No	Other
Yes, see below.	We do not agree with paragraph 8.62 in the proposal.	
<p>The question is again framed in terms of the “primary infringer” which we understand has been used as ‘short hand’ to refer to the exempted acts in the various threats provisions.</p> <p>Subject to being able to write a mere notification/factual information letter (see our answer to question 14), we agree that the exemption for tracing the trade source in the UK should be limited to enquiries for that purpose.</p> <p>We do not agree that the exemption should be subject to a general requirement of “good faith” which would need to be developed by the court. Such a standard would bring inherent uncertainty to the law.</p>		

Notifications to those with an innocent infringement defence

Question 19 Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights? (8.73)

Agree	Disagree	Other
-------	----------	-------

We agree.		
See our answer to question 14.		

Question 20 If so, should factual information about the right include the following:

- (1) The right exists?
- (2) It is valid?
- (3) It is in force?
- (4) Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the design or any other information that describes the right? and
- (5) Details about the alleged similarities between the rights holders' patent, or registered or unregistered design rights and the product, process, or article in question? (8.73)

Yes	No	Other
Yes in part, see below.	No in part, see below.	
<p>(1) Yes, a rights holder should be able to state that its claimed right exists.</p> <p>(2): No, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(3): No, again, in our view, this is not necessary – points (1) and (4) provide the necessary information.</p> <p>(4): In our view, this should be for the purposes of “identifying the right” in question. For registered rights, this should be straightforward and a copy can simply be enclosed. For unregistered rights, this will inevitably require some level of detail.</p> <p>(5) In our view, this suggestion goes too far. This should be confined to identifying the design/product/article/process/mark/service in question, and to stating that the rights holder wishes to trace the source of such, and to permitting the rights holder to make enquiries for that purpose.</p> <p>In our view, it would be helpful for the rights holder to be able to legitimately state</p>		

that “*this is a letter written in accordance with Section X of the Y Act*” so that the purpose of the letter is clear to all concerned.

Negotiations over licence terms

Question 21 Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions? (8.76)

Yes	No	Other
	No.	
<p>The question uses the term “secondary infringer”. As indicated above (cf. qns 1 and 7) we assume this is short hand, and a reference to someone other than the trade source in the UK. On that basis, our view is that this could enable a rights holder to extort licence fees from someone other than the trade source without ever engaging the trade source. If the threats provisions are to be retained, this would surely undermine their purpose. Licence terms should be negotiated with the trade source in the UK.</p>		

Question 22 If so,

- (1) when should it be legitimate to make such a threat?
- (2) Is a specific defence required? (8.76)

N/A

1	2

Question 23 Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions? (8.76)

Yes	No	Other
-----	----	-------

Yes, see below.		
-----------------	--	--

As we have noted above, the terms “primary infringer” and “secondary infringer” are terms of art and have specific meanings in relation to different rights, or have no meaning in relation to some rights.

Stand-alone remedies for delivery up

The provisions for the existing groundless threats remedies refer in each case to infringement proceedings:

- For trade marks, the threat has to be in relation to “*proceedings for infringement of a registered trade mark*” (S.21, Trade Marks Act 1994);
- For registered designs, “*Proceedings for infringement of the right in a registered design*” (S.26, Registered Designs Act 1949);
- For unregistered UK design right: “*Proceedings for infringement of design right*” (S.253 Copyright, Designs and Patents Act 1988); and
- For Community design rights, “*Proceedings for infringement of a Community design*” (Regulation 2, Community Design Right Regulations 2005).

However, under the trade marks and designs legislation, there are, in each case, provisions specifically to enable the delivery up of infringing articles:

- S.16, Trade Marks Act 1994;
- S. 230 Copyright, Designs and Patents Act 1988;
- S. 24C Registered Designs Act 1949; and
- Regulation 1B, Community Design Right Regulations 2005.

Although there is entitlement to delivery up under these provisions, the proceedings are not for “infringement” as such (either primary or secondary), but rather relate to the infringing articles themselves. The action is directed against anyone who happens to have infringing articles in their possession, custody or control, for commercial purposes but there is no knowledge requirement: in short, the possessor may well not be an infringer at all.

It is not clear, therefore, whether a letter threatening the issue of an application for delivery up of the relevant infringing articles under these provisions (as opposed to seeking a remedy following full infringement proceedings) are “infringement proceedings” within the meaning of the relevant groundless threats provisions.

In order to ensure that the position is clear, we would suggest that it be confirmed in any new legislation that an application for the particular remedies directed only towards delivery up of infringing articles are indeed encompassed within the meaning of “*Infringement proceedings*” in the context of the threats provisions relating to trade mark and designs.

A requirement of good faith

Question 24 Should a good faith requirement apply to the three specific defences, which are set out above? (8.77)

Yes	No	Other
	No, see below.	
<p>It is not clear which “three defences” are being referred to.</p> <p>In any event, we do not agree that the exemptions should be subject to a general requirement of “good faith” which would need to be developed by the court. Such a standard would bring inherent uncertainty to the law. We believe that cases of bad faith can be dealt with in other ways, either because the perpetrator commits another tort, or a regulator’s intervention will be an effective deterrent. (cf the <i>Antec</i> case referred to at question 13 above).</p>		

Threats to the secondary infringer where the primary infringer cannot be found

Question 25 Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights? (8.82)

Agree	Disagree	Other
Yes, but see below.		
<p>See our answer to questions 7, 10 and 12.</p> <p>However, section 70(6) Patents Act (and any new equivalents) should be amended to change “best endeavours” to “reasonable endeavours”.</p> <p>By way of example, if a rights holder writes to a retailer to ask for the source and that retailer refuses to divulge the information, the rights holder should at that point be protected and be free to threaten that retailer with proceedings for infringement alleged to consist of doing any infringing act.</p> <p>“Best endeavours” has a specific meaning in (contract) law which implies</p>		

essentially doing everything within the rights holder's power, including for example, hiring enquiry agents etc.

"Reasonable endeavours" would presumably include at least writing a "source tracing" letter to the target in question first, to ask them to identify the source.

In our view, the provisions should not arguably require a rights holder to go to extraordinary lengths, or write to an extraordinary number of potential targets, potentially over an extended period of time, to try to find the trade source. Indeed, writing multiple letters to multiple retailers could have an overall chilling effect on the market for the goods, which is the very reason the threats provisions exist in the first place.

.

Question 26 If so, should the provisions state that:

- (1) A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful?
- (2) That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer? (8.82)

Yes	No	Other
		See below.
<p>In response to (1), we agree that a defence should be available where reasonable endeavours (note, not "all practical steps") have been made to identify the primary infringer but have not been successful. The reference to "all practical steps" could place unduly onerous obligations on the person issuing the threat as disproportionately costly or lengthy investigations may need to be carried out before the defence is available. It is more balanced to provide a defence when reasonable steps have been taken to identify the primary infringer as that strikes a fair balance between the competing interests.</p> <p>For the purpose of clarity and harmony, we also suggest that a similar amendment is made to S.70(6) of the Patents Act 1977 to delete the reference to use of "best endeavours" and instead refer to "reasonable endeavours" having been taken to identify the primary infringer.</p> <p>In response to question (2), we do not agree that the recipient of the threat should be notified in detail of all the actual steps which have been taken to identify the primary infringer. It should be stated to be sufficient to identify in the letter that reasonable endeavours have been taken to identify the primary infringer, but they have not been successful which is why the secondary infringer has been contacted. Again, for clarity and harmony, we propose that S.70(6) of the Patents Act 1977 is amended to clarify that it is not necessary to actually list the best endeavours (or, as we propose "reasonable endeavours") which have been</p>		

carried out to identify the primary infringer, but simply to state that such steps have been taken without success.

Invalid patents - the "good faith" defence

For patents, a claimant in a threats action will not succeed where the threatener shows that at the time of making the threat it did not know and had no reason to suspect that the patent was invalid. We think that the defence is unsatisfactory. In particular this is because a threat in respect of an invalid patent can still cause loss; the risk that the right is invalid should fall on the threatener and not the party who incurred the loss. Also, the defence denies the claimant all remedies including a declaration that the patent has not been infringed and an injunction to stop the threats. As the defence arises at such a late stage in a dispute it will not protect a genuine rights holder from having a threats action brought against them.

Question 27 Do consultees agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed? (8.86)

Agree	Disagree	Other
See below		
<p>We agree with each of the six reasons given in paragraph 8.85 as to why S.70(2A)(b) should be repealed.</p> <p>In relation to the fourth point, we note that in many patent cases there is a "squeeze", for example between insufficiency and obviousness – see for example the Court of Appeal's judgment in <i>Haliburton v Smith</i> [2006] EWCA 1717 at paragraph 22. An advisor may confidently advise that the patent is invalid, but it may be difficult to predict whether the Court will decide on the basis of insufficiency or obviousness – the result may depend on how the patentee puts its case at trial. In such a case the patentee may have been advised that its patent was invalid but has, quite possibly, a 50/50 chance of avoiding liability for a threats action. It will be unclear, almost certainly until the evidence in the proceedings is complete, on which ground the Court will find the patent invalid.</p> <p>Further, the provision provides a perverse incentive for patentees not to seek advice on the validity of their patent before issuing threats.</p>		

CHAPTER 9: A WIDER APPROACH?

There are several gaps in the protection offered by the threats provisions. The provisions do not apply where proceedings are issued before a threat is made. They do not apply to notifications that fall short of a threat, but which may still have a detrimental effect. They do not apply to threats to sue for a related right, such as passing off. Finally, they do not cover threats to sue in respect of a Community right where proceedings will be brought elsewhere in the EU.

Question 28 Are problems caused in practice by the failure of the groundless threats

provisions to cover:

- (1) Cases where court proceedings are issued prior to a threat being made?
- (2) Allegations which fall short of threats?
- (3) Threats to sue for a related cause of action, such as passing off or breach of confidence?
- (4) Threats to sue elsewhere in the EU? (9.10)

Yes	No	Other
		See below.
<p>(1) this is not a “gap”: this is a consequence of the rights holder putting his money where his mouth is and issuing proceedings, not merely waiving threats about in the market. We are not aware of problems being caused in practice by this. The proceedings have been commenced and the defendant can call for service of the claim form if he wants to. Moreover, the defendant can, if he wishes, continue to deal in the goods etc in issue until the outcome of the trial or, if interim relief is granted he will be protected by the cross undertaking in damages.</p> <p>(2) ‘crafting’ a letter which does not amount to an implied threat is currently very difficult to achieve. It would be preferable to have clearly stated rules so that rights holders know who they can threaten and about what, and they need to be able to set out their complete case against that recipient (which is consistent with the CPR).</p> <p>(3) in our view, the modifications would alleviate problems caused by this, because a complete letter before action could then be sent to the “trade source in the UK”.</p> <p>(4) no problems are caused in practice by threats to sue in another jurisdiction.</p> <p>However, as identified in the Consultation paper, the application of UK threats laws to European Union unitary rights can and does cause problems in practice for rights holders of EU-wide rights who are based or advised elsewhere in the EU. The case of <i>Best Buy</i> is an example of a Spanish lawyer writing a letter amounting to a threat of proceedings in the UK when the complaint was about infringement under EU wide trade mark rights.</p>		

Question 29 Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed? (9.10)

Yes	No	Other
-----	----	-------

	No.	

The gaps in the protection offered by the threats provisions could be addressed by creating a new tort of false allegations. The elements of the tort would be an allegation that relates to the infringement of a patent, trade mark or design right; that is made in the course of trade; and tends to discredit the establishment, goods or activities of a competitor.

Question 30 We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor. (9.46)

If a proposal for the abolition of the groundless threats provisions is not adopted then we prefer the evolutionary, rules-based approach which at least has the benefit of greater certainty.

The revolutionary approach ie of a new statutory tort would lead to a lengthy period of considerable uncertainty until the new tort had been developed by the courts.

THE FINANCIAL IMPACT OF REFORM

Question 31 We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes. (10.5)

The existence of the threats provisions adds expense because legal advice is not limited to infringement/validity prospects, but has to also cover a potentially complicated strategy decision about whether to write pre-action correspondence at all and how to frame any such letter, on whose headed notepaper, or whether to simply issue proceedings and thereby risk not complying with the “talk first” policy of the CPR.

Proceedings are inevitably issued at the outset (with the additional cost that entails) in cases including against the trade source in the UK, which would undoubtedly settle without proceedings being necessary if an ordinary letter before action could be safely sent.

While the threats provisions are present in part to prevent SMEs and smaller parties being bullied by big rights owners threatening their market, the provisions also adversely affect SMEs and smaller parties who are themselves rights owners, forcing them to either issue proceedings in cases where a settlement ought to be

possible, or end up not attempting to enforce their rights at all.

Question 32 We welcome evidence from retailers and others about:

- (1) the frequency of threats concerning patent, trade mark and design rights infringement; and
- (2) how they react to such correspondence. (10.5)

The Law Society represent solicitors, not retailers.

The evolutionary approach: costs and benefits

Question 33 We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers. (10.12)

What rights holders need to know is who they can threaten, in respect of precisely what, and they need to be able to set out their complete case against that recipient, including expressly mentioning the sale of articles (which is consistent with the CPR). Having clearly stated rules to achieve this should have costs savings because it would:

- (1) avoid the problems discussed at question 28(2), namely the difficulties and added cost of crafting a letter within the current threats provisions, and 28(3), namely, enabling a rights holder to set out his complete case against a trade source, rather than relying in pre action correspondence only upon causes of action which do not have threats provisions;**
- (2) as a result, this would allow lawyers and rights holders to write a clear letter setting out their case against the trade source, which may lead to resolution of a dispute without having to start legal proceedings; and**
- (3) this would lead to further costs savings for those reasons set out in our answer to question 34 below.**

Question 34 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of engaging an adviser to act and to draft pre-action correspondence? If so, by how much?
- (3) It would reduce the number of cases litigated? If so, how many cases might be affected? (10.12)

Agree	Disagree	Other
See (1) and (2) below.	See (3) below.	
<p>(1) yes, we agree.</p> <p>(2) yes, we agree, because it will be easier to advise clients.</p> <p>(3) Yes. It should reduce the number of cases where proceedings are commenced ahead of any approach being made and also reduce the number of Threats actions as it will be clearer what communications fall which side of the line. This should result in a small but not insignificant reduction in the number of cases litigated. It should increase pre-action dialogue.</p>		

Question 35 We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients. (10.18)

This would have a positive impact.

Advisors do get sued or threatened with threats actions, in practice.

Moreover, whilst professional indemnity insurers will need to be notified in the event of a threat action (or threatened threat action) against a client following a potentially negligent letter sent on behalf of a client which falls foul of the threats provisions, we are not convinced professional indemnity insurers will be interested in paying for the defence on the professional advisers' behalf. We are not convinced a professional adviser's insurance policy, which covers his duty of care to his client, will necessarily cover an action against the firm itself for threats. A professional adviser is dependent instead on the covenant strength of any indemnity from the client in its client retainer. This will inevitably disadvantage SMEs.

This also means big law firms/attorney firms may be able to choose to self-insure, and smaller firms, perhaps more likely to have been retained by SMEs, are not in a position to do so.

We also agree with the observations in paragraph 10.18 of the consultation paper.

Reforms would avoid wedges being driven between client and adviser by strategic use of a threats action (or threatened threats action) against the professional adviser who has sent the letter and avoid the need to engage multiple advisers (and the additional costs of doing so) in such a situation.

There is no reason why the normal situation of the separation between the role of the advisor and the client should be different under this particular jurisdiction.

Question 36 Do consultees agree that:

- (1) The costs of such a reform would be minimal?
- (2) It would reduce the cost of legal advice? If so, by how much?
- (3) It would make it easier for small businesses to contact alleged infringers? (10.18)

Agree	Disagree	Other
Yes, see below.		
<p>(1) yes, we agree.</p> <p>(2) yes, we agree because it will be easier to advise clients and possible to have conduct of correspondence even if it contains actionable threats.</p> <p>(3) yes (as explained in the answer to question 35), indeed, it would make it easier for all rights holders.</p>		

A wider approach: costs and benefits

Question 37 We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor. (10.22)

See answer to question 30.

**Law Society of England and Wales
Intellectual Property Working Party**

Members:

Isabel Davies (Chair)

Mark Anderson (Anderson Law LLP)

Tim Bamford (Withers)

Madeleine Brookman (ME)

Gareth Dickson (Edwards Wildman)

Ann Critchell-Ward (TomTom)

Jeremy Drew (RPC)

Peter Ellis (Browne Jacobson LLP)

Robin Fry (DAC Beachcroft)

William Gornall-King (Boyes Tuner LLP)

Matthew Harris (The Waterfront Partnership)

James Love (James Love Legal)

Mark Owen (Taylor Wessing)

Carolyn Pepper (Reed Smith)

John Sykes (Lupton Fawcett Lee and Priestley)

Nick Wenban-Smith (Nominet)

Philip Westmacott (Bristows)

LES submission in response to the UK Government's consultation on groundless threats for Patents, Trade Marks and Design Rights

1. Introduction

Licensing Executives Society (Britain and Ireland) ("LES") is the local chapter of Licensing Executives Society International (LESI). LESI is the world's leading association of technology transfer and licensing professionals, with over 11,000 members worldwide. The membership is mixed, not only geographically, but also in terms of members' backgrounds, including business people, professionals (lawyers, accountants and patent agents) and academics, drawn from a broad range of industry sectors. LES, the local chapter here, is one of the largest with approaching 500 members and its members are engaged in all the fields of activity listed above.

2. Summary

We consider that changes to the groundless threats provisions are overdue. The Law Commission's proposals to amend the existing provisions are (in general) welcome as an immediate step. However, we would also urge the Law Commission to publish a further consultation paper to consider the possibility of introducing a new statutory tort of unfair competition.

a. Amendments to current provisions

We agree that, initially at least, amendments should be made to the groundless threats provisions as they stand. In particular:

- Provisions should be introduced in respect of registered trade marks and registered design rights that reflect those introduced by the 2004 reforms to the Patents Act 1977;
- Groundless threats provisions in respect of unregistered design rights should be abolished, in order to bring them in line with other unregistered intellectual property rights;
- Lawyers, registered patent attorneys and registered trade mark attorneys should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client.

b. Introduction of a new statutory tort of unfair competition

We accept that this revolutionary, rather than evolutionary, approach will require further consideration. However, whilst not as legislatively expedient, this proposed change may prove more beneficial in the long run for several reasons:

- The UK regime is currently significantly different from that of the rest of the European Union and, in practice, rights holders often threaten to sue under CTMs or CDRs outside of the UK in order to avoid threats provisions. If this occurs, and an injunction is threatened which in practice covers the UK or affects business in the UK, it allows rights holders to make an effective threat which is not actionable. In other words, the differences between regimes have resulted in loopholes.
- With the continued attempts to harmonise the European intellectual property regime – with the Community Trade Marks (CTMs) and Community Registered Design Rights (CDRs) regimes, and the upcoming introduction of the Unitary Patent regime

- the continued existence of the UK threats provisions potentially places the UK at a disadvantage.

3. Submission

In response to questions 1, 2 and 5 of the consultation, we concur with the Law Commission's overall suggestion that groundless threats provisions in respect of registered trade marks and registered and unregistered designs should be reformed.

a. Background

The groundless threats provisions were originally introduced in response to owners of patent rights threatening infringement proceedings against competitors without any bona fide intention of following them up with proceedings. The cost and complexity of patent infringement proceedings were thought to be so high that the issue of threats could result in competitors being driven from the market. The provisions were therefore intended to prevent casual threats of IP infringement being made by owners of IP rights without any basis for doing so, whilst also allowing IP owners to retain the opportunity to enforce their rights against those parties manufacturing or importing the infringing articles (ie not retailers and parties down the product supply stream).

The reasoning behind the introduction of groundless threats provisions was of sound merit. However, LES considers that revisions to the groundless threats provisions are overdue for the reasons discussed below.

b. Practical concerns in respect of groundless threats provisions

- i. The restrictions placed on IP proprietors under the current legislation for registered trade marks and registered and unregistered design rights have resulted in practical issues, for example:

- 1. *Where a rights owner is unable to establish the manufacturing source for infringing products*

In this situation, in order to avoid falling foul of the current groundless threat provisions, the rights owner could: (i) send a "mere notification" of its rights or (ii) write to the other party to allege that it is the manufacturer or importer of the infringing products in order to fall within the legislative exemptions.

Neither of these options allow the rights holder to properly address the situation and may result in the respondent either: (1) choosing to ignore the communication (on the basis that it appears irrelevant); or (2) responding simply to confirm that it is not the manufacturer or importer of the infringing products (but offering no further details).

- 2. *Where a rights owner is able to establish the source of the infringing products*

Even where a rights owner is able to establish the source of the infringing products, it will be subject to restrictions as a result of the groundless threats provisions and may be prevented from properly raising its concerns with the relevant party.

As demonstrated by the case law to date, contacting a suspected infringer is not without risk. The courts will objectively assess whether a

communication amounts to a threat – in other words, whether the communication is understood by the "ordinary recipient" as amounting to a threat of proceedings – within the context of correspondence. In addition, given that a threat can be express or implied, rights owners may find that they have made a threat where it is not intended.

In fact, even where a letter expressly states that a rights owner does not intend to take proceedings, but includes a reservation of rights and a reference to contacting the customer again if successful in its action against the manufacturer, it can amount to a threat (**Grimme Landmaschinenfabrik GmbH & Co KG v Scott (t/a Scotts Potato Machinery)** [2009] EWHC 2691).

As a consequence, rights holders often consider that they are unable to take appropriate action against third parties in the UK in order to protect their rights. We consider that the current groundless threats legislation is not sufficiently favourable towards owners of registered trade marks and registered and unregistered designs.

- ii. The groundless threats provisions commonly discourage discussions being held in an open and ultimately productive manner.

At present, a groundless threats claim can only be resolved by settlement or by a court judgment confirming that the IP right is valid and the actions taken by the third party are infringing. Given the risk and potential costs involved if an unjustified threat claim is brought, there is a line of thought which suggests that a rights owner may choose to reduce the risk (and avoid incurring the cost) of such a claim by simply issuing proceedings against the relevant parties first. Indeed, Justice Laddie commented in the case of **Reckitt Benckiser UK v Home Pairfum Ltd and others** [2004] EWHC 302 (Pat) that "*trying to bring home to a competitor in advance of litigation the seriousness of one's claims is likely to be construed as issuing threats. The safest way to proceed is to commence proceedings first and discuss settlement second*". However, LES consider that this is not ideal.

- iii. The groundless threats provisions are widely recognised to be inconsistent with the principles of Civil Procedure Rules (CPRs).

The CPRs provide that claimants are expected to assert all their claims on which they rely in order to try to settle disputes by way of "without prejudice" negotiations without recourse to costly and time-intensive litigation. This principle underlying the CPRs is beneficial to all parties. Further, whilst the CPRs do not apply in Scotland, it is nevertheless considered good practice in Scotland to issue pre-action correspondence, in line with the same principle.

However, the risks associated with the threats provisions pose a major deterrent to rights owners acting in accordance with those principles. As noted above, the provisions encourage rights owners to serve proceedings as first resort – in direct contrast to the CPRs and the practice in Scotland.

- iv. The ability to enter into "without prejudice" correspondence does not necessarily provide a solution to point 3 above

The English courts have recognised that, if "without prejudice" discussions are entered into "*honestly with a genuine intention to settle*", it would be contrary to

public policy to allow the alleged infringer to set aside that privilege in order to sue for threats (for example, **Unilever v Procter & Gamble** [2000] FSR 344 (CA)).

However, despite this principle, difficulties remain. Even when a letter is written as part of on-going correspondence between parties, is marked "without prejudice" and contains an invitation to enter into settlement negotiations, it can still constitute a threat (for example, **Best Buy Co Inc and another v Worldwide Sales Corp Espana SL** [2011] EWCA Civ 618 (Ch)).

The current threats legislation for registered trade marks and registered and unregistered designs therefore places too much risk and restriction on an IP rights owner's ability to take action to defend their rights against an infringer. The legislation should instead seek to encourage discussion and negotiation and allow the parties the opportunity to resolve the matter without the need for expensive infringement proceedings.

4. LES responses to Law Commission proposals for reform

As noted above, the original intentions behind the threats provisions have merit. However, it is clear that the problems arising from the threats provisions for registered trade marks, registered and unregistered designs need to be addressed.

LES considers that, in the first instance, this can be most quickly addressed by amendment to the legislation. However, we would also urge the Law Commission to publish a further consultation paper to consider the possibility of introducing a new statutory tort of unfair competition.

With this in mind, LES's responses to the questions raised in the Law Commission's consultation paper are as follows:

a. Patents

The 2004 reforms to the Patents Act 1977 extended the section 70(4) exceptions to permit the threat of proceedings in respect of any alleged act of infringement, and not just in respect of the primary acts of manufacturing or importing, where the person being threatened has made or imported the product for disposal (or used that process).

In response to Q6, as noted, the exception does not currently allow rights owner to take action prior to these primary infringements taking place.

However, if a rights owner has the ability to pre-empt infringing actions and take steps to prevent infringing items from being manufactured and/or being placed on the market, it can prevent damage being caused to its business and potentially settle any dispute before the parties have incurred unnecessary time and costs.

We therefore consider it helpful to extend the exemption on section 70(4)(b) of the Patents Act 1977 to cover situations where an individual has threatened to make or import a product for disposal or to use a process. However, some consideration should be given as to the evidence threshold required to prove that such activity has been threatened (particularly in respect of verbal threats).

b. Registered and unregistered design right

In respect of Q3 and Q4 concerning the possible abolition of groundless threats provisions for unregistered design rights, LES recommends that this proposal be implemented. The reasons for this include:

- There appears to be no clear reason why threats provisions apply to unregistered design rights but not to copyright or unregistered trade marks (passing off);
- the current provisions are inconsistent with the requirement for an unregistered design rights holder to notify the infringer of its rights in order to perfect claims for secondary infringement and/or to minimise an infringer's prospects of being able to claim that he was innocent and thereby avoid or limit his liability for damages.

We consider that the inconsistency/uncertainty can be corrected by removing threats provisions in respect of unregistered design rights, to fall into line with other unregistered rights.

In respect of Q7, we consider that extending the definition of acts which cannot be construed as a threat for registered design rights should be applied in line with revised patent law.

These acts would include:

- making enquiries to find out if there has been a primary infringement and, if so, by whom; and
- making "assertions" about the registered design right for the purpose of making such enquiries.

In answer to Q8, where primary infringement is involved (ie a person has made or imported a product or article, or has threatened to do so), we consider that the exemptions should be extended to allow a threat to be made in respect of any other infringing act relating to the product or article.

We also consider that the same exemptions should be introduced in respect of Registered Trade Marks.

As recognised by the Law Commission, in practice the current legislation focuses practitioners on ensuring that correspondence refers only to exempted acts rather than ensuring that the correspondence is directed to the primary infringers.

The amendments proposed in Q8 for Registered Design Rights (and Q11 in respect of Registered Trade Marks) should assist rights owners in focusing their actions on the correct infringing party and to allow for more robust correspondence to primary infringers. Introducing this extension will also ensure that a rights owner will have the opportunity to obtain adequate comfort in respect of all infringing activities by way of undertakings.

However, if these amendments are introduced, they should be introduced in conjunction with the ability for IP rights owners to contact retailers to make inquiries, as introduced in the revised patents law. A failure to do so may result in a rights holder having no opportunity to take action if it is unable to locate the primary infringer.

c. **Registered Trade Marks**

In response to Q10 and Q11, we refer to our comments in section 3b above.

We again consider that the exemptions for threats of proceedings for primary infringement should be extended in line with revised patent law and that threats provisions should allow a threat to be made in respect of any other infringing act relating to the mark in circumstances where there is primary infringement.

d. **Protection for legal advisers**

In response to Q13 and Q35, we agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client.

The reasons for this are two-fold:

- As the Law Commission notes, groundless threats actions can be used tactically to drive a wedge between legal advisers and their clients or to drive cases to court rather than encourage negotiations over settlement.

Whilst the courts have previously refused applications to join a claimant's solicitors as a party to an action where the real purpose is a tactical one (**Reckitt Benckiser UK v Home Pairfum Ltd** [2004] FSR 37), that will not prevent this tactic being adopted. Even if an application is refused, the solicitors for the rights owner will have to incur additional time and cost in defending the application and the damage to the solicitor-client relationship will have been done.

- It is arguable that, where there is a risk of a groundless threats action being brought against a legal adviser, it automatically affects the client-solicitor relationship as it will give rise to conflicting interests. The risk to a solicitor could, in theory, have a negative effect on the strength of the advice given to the client and a client may be discouraged from taking appropriate and robust action. Alternatively, if a solicitor refuses to sign off on a "threats" letter, the client may be placed in the position where it is required to send the letter itself – which means that the letter will invariably have less impact than if it was sent by legal advisers.

For clarification, we do not consider that this protection should be afforded to in-house legal advisers. In contrast to external legal advisers, in-house legal advisers are employees of the rights owner and are, in effect, the client.

With respect to Q36, we consider that the costs of such reform would be minimal. However, we do not envisage that this proposed reform would reduce the cost of legal advice significantly. Infringement matters will usually result in a "cease and desist" letter being drafted and the threats provisions do not impact greatly on the work involved in that respect. They do, however, potentially affect the impact of the letter sent.

A further issue is that there would be no need to advise of the existence of a potential conflict between the lawyer and the client, as discussed above. There would therefore be a small cost saving in this regard.

e. **Legitimate approaches to secondary infringers**

In practice, a rights owner will become aware of infringing acts via retail channels. Whilst, in many circumstances, a retailer will also be the primary infringer, allowing rights owners the opportunity to contact retailers (as secondary infringers in the first instance) will give them the ability to take immediate steps to establish the identity of the primary infringer.

This is particularly important in certain retail sectors (eg fashion) where trends are fast moving and the opportunity to extract value from a design is short-lived.

In response to Q15, LES therefore considers that, as in patent law, enquiries made for the sole purpose of identifying the primary infringer, and assertions made in respect of the relevant rights held, should not amount to a groundless threat.

LES considers that some clarification in respect of what "assertions" can legitimately be made about the right will assist and that the five "assertions" listed in Q17 should be included as a non-exclusive list. LES would advise against limiting the "assertions" which can legitimately be made. There may be circumstances in which it is legitimate to make other "assertions" about the right eg in respect of any licensing arrangements; the history of the design/trade mark; the volume of sales, etc.

With respect to Q18, we consider that the exemptions should continue to permit enquiries to discover "whether" a right has been infringed. This line of enquiry may assist the rights owner in establishing whether the secondary infringer is also the primary infringer (eg by asking questions about the decision making process behind the infringing article – eg whether the design or the decision to apply the trade mark was made "in-house" or by external suppliers).

LES also considers that additional options should be available to a rights holder in situations where the recipient of a letter consistently refuses to respond (and, as such, gives no suggestion that he feels "threatened" by the letter from the rights owner). For example, in situations where a recipient does not respond to [two] chaser letters (in addition to the original letter), a rights holder could be entitled to send a further letter to the third party requesting a response and threatening that action will be taken if a substantive response is not received within 7 days.

f. Should other communications be permitted to secondary infringers?

As noted in 3b. above, LES considers that it is essential that rights owners have the right to contact secondary infringers in order to perfect claims for secondary infringement and/or to minimise an infringer's prospects of being able to claim that he was innocent and thereby avoid or limit his liability for damages.

With respect to Q21, we also consider it important that a rights owner has the ability to contact a secondary infringer to initiate negotiations over the grant of a licence. Having the ability to do so, without the risk of a possible threats action, provides a rights owner with a practical option to try and resolve its claim on a commercial basis without recourse to the courts. This reflects the principles of the CPR.

We concur that both rights should be exempt from the threats provisions provided that they are sent in good faith.

Further guidance should be provided in respect of what might constitute "good faith" but such guidance should not be definitive. "Good faith" factors could include:

- Only making assertions that are, to the best of the right owner's knowledge, valid and supported by evidence; or
- Ensuring that any licence offer is not unduly prohibitive in the circumstances with reference either to existing (and comparable) licences granted by the rights owner and/or market practice; or
- Providing the secondary infringer with a reasonable period of time in which make enquiries of its supplier and/or consider any licence offer or requested undertakings.

g. Threatening secondary infringers with proceedings

If a rights holder is unable to find the primary infringer, the rights holder should retain the opportunity to take steps against secondary infringers to remove infringing products from sale.

LES therefore agrees that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered designs (unregistered design rights are not included in light of our proposal that the related threats provisions for UDRs are abolished).

LES considers that the phrase "all practical steps" may be more appropriate in this context than the phrase "best endeavours". However, we question whether this will assist in practice as clear guidelines cannot be provided (and, in any event, are unlikely to be appropriate as the circumstances as to what constitute "all reasonable steps" are likely to vary).

LES agrees with part (2) of Q26 that, before or at the time of making the threat, the recipient of the threat should be notified that all practical steps have been taken to identify the primary infringer. However, this provision could go further and also ensure that the secondary infringer is given a final opportunity to provide any information that they may have about the primary infringer.

h. Factual information/"mere notification"

If, as suggested above, threats provisions are abolished for unregistered design rights, we agree with the Law Commission's suggestion in Q14 that the general exemption for the mere notification of a right or the provision of factual information be removed.

If, however, the threats provisions for unregistered design rights are retained, LES considers that the exemption should remain in light of the legislative requirement for potential infringers to be notified of unregistered design rights before such claims can be perfected. It remains essential that a rights owner should be able to do this without the risk of a threats claim.

Equally, if, as the Law Commission seems to be considering, there is an interest in extending threats provisions to copyright and unregistered trade marks (which we do not currently support), it may be increasingly important that rights holders are exempt from threats actions when alerting potential infringers to their rights.

If the threats provisions are extended, LES believes that it would be even more important to remove the liability for threats on the part of a client's lawyers, registered patent attorneys and registered trade mark attorneys, as discussed above.

i. **Invalid patents – "good faith" defence**

In response to Q27, LES does not agree that the current "good faith" defence in section 70(2A)(b) of the Patents Act 1977 should be repealed.

In fact, we consider that the defence should remain and be extended to registered trade marks and registered designs (albeit with the amendments discussed below).

The reasoning behind the defence is sound. The threats legislation was always intended to restrict groundless "bullying" actions by rights owners rather than penalising those rights holders who genuinely seek to protect their rights. However, patentees should not be put in a position where they feel that they can only issue pre-action correspondence if there is no risk at all of invalidation.

In practice, repealing the defence could result in no rights owner ever taking action as, in our experience, there is always a risk that patents are vulnerable to obscure prior art which is, quite reasonably, not known to the patentee. Equally, it is highly unlikely that a legal adviser could ever conclude and advise a rights holder that there is no risk of invalidation. This same principle applies to other IP rights, particularly (for example) for designs or trade marks, where a prior right which could not reasonably be found by clearance searching may nonetheless cause difficulties.

Whilst the timing of the "good faith" defence does not lessen the chance of threats proceedings reaching court (although that will hopefully be a side effect of other proposed amendments if introduced), the defence should ensure that rights holders acting in "good faith" are not unfairly penalised if their rights are found to be invalid.

However, LES considers that, in order to address the potential imbalance to the person aggrieved by the threat, the effect of the defence should be amended so that it does not deprive the person aggrieved of the right to:

- a declaration that the right is invalid; or
- an injunction against the continuation of such threats; or
- damages, although the finding of a "good faith" defence could reduce the value of damages that can be recovered.

5. LES response to proposal for a wider approach

We have not considered the potential advantages and/or disadvantages of introducing a tort of unfair competition in any detail as it falls outside of the scope of this consultation.

However, we concur with the Law Commission's view that this revolutionary, rather than evolutionary, approach requires further consideration and consider that, whilst not as legislatively expedient, this proposed change may prove more beneficial in the long run.

As noted, most civil law countries do not have specific statutory provisions. Instead threatening activities are dealt with under general tort law or the specific tort of unfair competition.

The UK regime is significantly different from that of the rest of the European Union at present and, in practice, rights holders often threaten to sue under CTMs or CDRs outside of the UK in order to avoid threats provisions. If this occurs, and an injunction is threatened which in practice covers the UK or affects business in the UK, it allows rights holders to make an

effective threat which is not actionable. In other words, the differences between regimes have resulted in loopholes.

With the continued attempts to harmonise the European intellectual property regime – with the Community Trade Marks (CTMs) and Community Registered Design Rights (CDRs) regimes, and the upcoming introduction of the Unitary Patent regime – the continued existence of the UK threats provisions potentially places the UK at a disadvantage.

LES therefore considers that further consideration should be given to the tort of unfair competition and how the regime works in practice in territories such as Germany and Canada. However, any such review should give careful consideration as to the intended scope of the tort.

In particular, LES notes that, as seen from its application in other jurisdictions, unfair competition does not simply provide an alternative to statutory threats provisions – it can also provide additional protection for products which may not otherwise be protected by intellectual property rights (eg see the German case of **Lego Juris S/A v OHIM**, Case C-48/09).

Licensing Executives Society (Britain & Ireland)

19th July 2013

Patents, Trade Marks and Design Rights: Groundless Threats

Joint Response to the Law Commission's Consultation Paper No 212

Lord Justice Kitchin, Lord Justice Floyd, Mr Justice Arnold and Mr Justice Birss

15 July 2013

Questions 1 and 2. The Consultation Paper accurately identifies the main problems with the current law. Nevertheless, we consider that there is more to be said about certain aspects.

First, as the Consultation Paper explains, the law of groundless threats aims to strike a balance between various competing considerations. On the one hand, the right of freedom of expression of IP right owners under Article 10 ECHR should only be restricted insofar as is necessary and proportionate to protect the rights of others. Furthermore, it is positively desirable to enable right owners to enforce their rights (which may require notice to be given to persons dealing in relevant goods or services and/or to intermediaries) and to promote negotiations between parties with respect to allegations of infringement (so that court proceedings are a last resort). On the other hand, abusive threats of IP infringement proceedings are capable of causing considerable damage. In striking the balance between these considerations, one perspective that merits emphasis is that of access to justice, in particular for individuals and small and medium-sized enterprises. Viewed from that perspective, it is important that the law should be simple to understand, straightforward to apply and correspond with the common sense of parties who may well not have access to sophisticated legal advice. A small business whose rights are being infringed should not have to pay lawyers a considerable sum of money just to ensure that it can write a letter before action which does not expose it to a claim for groundless threats.

Secondly, in devising the appropriate legal framework, it needs to be appreciated that there is an inherent difficulty in this area, namely that an identically-worded letter may in one set of circumstances constitute a perfectly proper letter before action and in another set of circumstances constitute an abusive threat. In trying to draw the line between proper communications and abusive ones, it needs to be borne in mind that it all depends on the circumstances, and circumstances are infinitely variable. As the analysis in the Consultation Paper demonstrates, it follows that it is very difficult to draw up tightly-drafted prescriptive rules which serve all the objectives of the law. Furthermore, the more detailed the rules, the more complex they are. This in itself is undesirable for the reason given above.

Question 3. This is a policy question on which it would not be appropriate for us to express an opinion.

Question 4. If protection against groundless threats of proceedings is to be retained, it is important that the boundary of that protection is correctly drawn. No equivalent form of protection exists for threats of litigation in other fields. If threats of IP proceedings justify legal control which is not required in other areas, then the question must be asked whether that applies to all forms of IP or only some, and if so, which. One option would be that protection should be provided against threats of proceedings

for infringement of a registered right. The rationale for this would be that registered rights are monopolies, and for that reason threats are more capable of being abused in a damaging way than in the case of threats of proceedings for infringement of an unregistered right. Another option would be that protection should be provided against threats of proceedings for infringement of all IP rights. The rationale for this would be that threats of proceedings for infringement of any IP right are capable of being abused in a damaging way. The current position does not correspond to either option. It is very difficult to see the rationale for providing protection against threats of proceedings for infringement of unregistered design right, but not of copyright. There is certainly evidence that threats of copyright infringement proceedings are capable of being abused: see e.g. *Golden Eye (International) Ltd v Telefonica UK Ltd* [2012] EWHC 723 (Ch), [2012] RPC 28 at [38]-[55].

Question 5. It is clear that the current law is not satisfactory for the reasons given in the Consultation Paper. Accordingly, it should be reformed.

Questions 6-27 and 31-36. These questions are either matters of policy on which it would be inappropriate to comment, or matters which may have to be considered in proceedings if the proposals are implemented or call for evidence which we are unable to provide.

Questions 28-30 and 37. Assuming that the Commission concludes that some form of protection against groundless threats should be retained, we consider that the “wider approach” merits further consideration, because it would enable the law to be more simply stated and more flexible in its application. It would also have the advantage of enabling the UK more clearly to comply with its treaty obligations and of making this aspect of UK law more consistent with that of other countries, particularly other EU Member States. The obvious objection to this approach is that it would be more uncertain than the current rules. We would suggest, however, that certainty is impossible to achieve with the current approach, even if reformed in the evolutionary manner suggested. Furthermore, the evolutionary reforms, even if meritorious in themselves, seem unlikely to produce a simpler framework.

If the “wider approach” is adopted, we would suggest that two points merit further consideration. The first is whether it would be desirable simply to implement Article 10bis(3)(ii) of the Paris Convention into national law. The second is whether, if that is not done, the new tort should be more clearly focussed on abusive threats. One possible way to do this would be to define the tort as consisting of (1) false allegations of infringement of IP rights (2) made in the course of trade (3) which are contrary to honest practices in industrial or commercial matters. In that event, consideration should be given to whether the tort should be confined to registered rights or should extend to all IP rights. If the latter approach is adopted, some list or definition would be needed. One option would be to use the lists in CPR r. 63.1(1) and Practice Direction 63 para 16.1.



**UNITED KINGDOM LAW COMMISSION
CONSULTATION PAPER NO 212**

PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS

MARQUES RESPONSE

1. STATUS OF THESE COMMENTS

- 1.1 MARQUES, the European Association of Trade Mark Owners ("MARQUES"), respectfully submits these comments for the consideration of the UK Law Commission in response to Consultation Paper No 212 with regard to groundless threats.

2. MARQUES

- 2.1 MARQUES, the European Association of Trade Mark Owners, is an Association created to educate and promote the professional development of brand owners in the selection, management, protection and exploitation of their trade marks within a global economy. MARQUES offers a forum for the free exchange of such ideas and information and to provide an effective platform for the representation of its members' interests.
- 2.2 MARQUES was founded in 1987 and is incorporated in the United Kingdom as a not for profit company limited by guarantee. It has no shareholders, issues no dividends and its directors are expressly prohibited from being paid for their services. MARQUES represents the interests of European trade mark owners in the protection and utilization of trade marks as essential elements of commerce. Its current membership of trade mark owners and legal practitioners representing trade mark owners is in excess of 600 members in 84 countries. Membership crosses all industry lines. MARQUES is at the forefront of all those institutional and policy-making processes that lead to reform of IP legislation and practice.
- 2.3 An important objective of MARQUES is to safeguard the interests of the public by ensuring the proper protection of trade marks and to safeguard the interests of trade mark proprietors with regard to the regime of trade mark protection. MARQUES attempts to achieve this objective by advancing the cause of trade mark laws which protect the public from deception and confusion.
- 2.4 MARQUES is an accredited association before the Office for Harmonisation of the Internal Market ("OHIM") and an official non-governmental observer to the World Intellectual Property Organization ("WIPO"). MARQUES is managed by an elected Council and external relations teams are appointed to monitor trade mark issues affecting European brand owners, identifying issues and problems and proposing responsive action.
- 2.5 The members of MARQUES, both professional firms and brand owners, have significant experience of the UK threats provisions.

3. SUMMARY

- 3.1 MARQUES has had the opportunity to consider the submissions submitted by the Intellectual Property Lawyers' Association ("IPLA") and the City of London Law Society ("CLLS") IP Committee. MARQUES broadly agrees with and endorses the points raised in both submissions, including the CLLS's points of divergence with those of the IPLA and subject to the points we make here.
- 3.2 We agree that when a threat is used appropriately, it provides important protection to a rights holder. Conversely, when it is misused, it can do great damage. We believe that while aspects of the current law need to be retained, it is in need of reform.
- 3.3 We support reform in the following ways:
- (a) protection against groundless threats of infringement proceedings should be retained, but in a modified form, in particular so as to be more clearly understandable and more widely understood;
 - (b) the protection should apply more consistently, at least for all registered rights on the one hand and, if applicable at all, then also for all unregistered rights. MARQUES's preference is that it applies consistently to each of unregistered design right, copyright and passing off as well;
 - (c) legal advisers should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client; and
 - (d) retailers that are responsible for procuring the manufacture and deciding upon the appearance of a product's packaging or get up (in particular 'own label' goods) should not be entitled to protection where a rights holder threatens action in relation to that packaging or get up.

Clarity and purpose

- 3.4 The lack of clarity in the rules means it is a recipe for confusion, especially amongst SMEs that are less inclined or able to seek specialist legal advice before raising their objections with third parties.
- 3.5 MARQUES sees merit in the proposal of the CLLS for a complete overhaul and possible introduction of a separate tort of unfair competition, which can encompass making unjustified threats amongst other acts. However, MARQUES would not welcome a tort based on concepts of "good faith" since that would be ambiguous and the uncertainty is again more likely to penalise SMEs.
- 3.6 The threats provisions should serve to prevent threats against persons, such as retailers and resellers, who have no interest in fighting infringement proceedings and who, on receipt of a threat, may well simply cease dealing in the goods irrespective of the merits of the claim. It should also protect against disguised threats against persons other than the primary infringer (the manufacturer, the importer etc.) that are in the form of solicitations to take a licence or to negotiate licence terms, or threats just to seek delivery up but not compensation or an injunction.
- 3.7 However, it is important that rights holders can write to traders without fear of reprisals to make a "mere notification" of their rights and to combine that with a request for information (and documents) about the trade source. The notification needs to allow the

necessary assertions to be made in order to justify their request for that disclosure. This should enable rights holders to know who they can allege infringement against and would align the law with the principles espoused in the CPR. These are aimed at securing open pre-litigation communications in order to facilitate early settlement.

- 3.8 Accordingly, rights holders need to be able, in their letters, to identify their right, assert its existence (rather than validity), identify the goods/services and refer to the nature of the alleged infringement occurring (without asserting by whom), e.g. by reference to the relevant statute. MARQUES considers that the exemption should apply in such circumstances.

Registered and unregistered rights context

- 3.9 The lack of consistency in the current law on threats as between the various rights means it is a further recipe for confusion, especially amongst SMEs.
- 3.10 MARQUES sees no logic in certain unregistered rights not being subject to the regime and agrees that all unregistered rights should preferably be included, or at least treated the same. This would lead to a greater understanding of when the rules apply, ideally in relation to all threats made concerning the enforcement of all intellectual property rights.

Legal Advisers

- 3.11 MARQUES agrees that including legal advisers within the scope of the threats provisions has the potential to cause a conflict between the legal adviser and client. This adds an extra layer of complexity to the issues at hand and contributes to the cost and duration of infringement actions.
- 3.12 MARQUES agrees with the IPLA and CLLS that legal advisers should not be included within the provisions if the legal adviser is merely complying with their legal obligation and instructions on behalf of their IP right holding client.

Lookalikes and 'own label' retailers

- 3.13 From a rights holder perspective, the position on lookalikes, including 'own label' products, is uncertain and requires clarification. This results in considerable time and resources being spent in assessing how to approach those selling such goods, bearing in mind the risk from the threats provisions. MARQUES broadly agrees that the Law Commission's proposals do help to clarify and remove the uncertainty surrounding lookalikes. However, as the current law is in favour of protecting retailers/sellers of potentially infringing goods rather than those who produce them, any reform in this area should not provide greater comfort to the retailers.
- 3.14 With regard to 'own label' products in particular, the reforms should make it clear that letters before action to those responsible for those goods do not trigger a potential threats action. This should apply whether that retailer has sourced the goods directly from a supplier (with packaging in a form chosen by the retailer) or via a subsidiary company within its group structure.

MARQUES

Diana Versteeg, Chairman of MARQUES Council
3 September 2013

From: Whitten, George [REDACTED]
Sent: 17 July 2013 10:57
To: Intel-Prop
Subject: TRIM: Re: Consultation Paper No 212: Patents, Trade Marks and Design Rights: Groundless Threats

Dear Sirs,

Re: Consultation Paper No 212

Patents, Trade Marks and Design Rights: Groundless Threats

Qualcomm welcomes the opportunity to comment on the Law Commission's review of the law of groundless threats of infringement proceedings for patent, trade mark or design rights. Qualcomm believes that change is necessary to:

- (i) correct the current imbalance between the way in which groundless threats are handled as between patent, trade mark and design law; and
- (ii) enable frank and open discussions between a rights holder and an assumed primary infringer.

Subject to the foregoing, the statutory provisions are essentially sound. Any changes should be evolutionary rather than revolutionary and prevent negative unintended consequences.

Consistent treatment

The way in which groundless threats is currently treated varies between patents, trademarks, and designs. The short-term aim of these reforms should be to achieve consistency in the way threats are treated in Patents, Trademarks and Designs.

In addition, copyright does not have groundless threats provisions, yet unregistered design rights, that are a subset of copyright, do. While we recognise that the concept of groundless threats in relation to copyright is a contentious issue, consistency across IP rights should foster commercial discussions without inadvertently creating a perceived threat. A longer-term aim would therefore be to bring copyright consistently into the fold.

Frank and Open Discussions

The law currently makes it difficult for rights holders to approach assumed primary infringers without laying the rights holder open to the claim that in doing so they created a perceived threat of litigation. This creates the rather perverse situation where parties are more likely to go straight to the courts, rather than engaging in open and frank discussions with a view to reaching a business solution. As is rightly pointed out in the Consultation Paper (para.10) and quoting Mr. Justice Laddie 'There is then an obvious tension between the sensible "talk first" policy of the CPR and the "sue first" policy encouraged by the legislation.'

The sensible solution seems to be to enable IPR holders with a bona fide intention of discussing settlement to approach assumed infringers without fear of being accused of making groundless threats. Approaching a primary infringer with a view to discuss terms should not in itself create a prima facie cause of action for threatening behaviour without more. The provisions in section 70 of The Patents Act 1977 as amended by The Patents Act 2004, while admirable in their intention, did not achieve this aim. The defence to accusations of groundless threats is not addressed until the final hearing in the case. Section 70 should be rewritten to enable rights holders to approach a primary infringer with a view to settlement discussions without fear that the primary infringer will respond with an action for groundless threats.

The governing statutory provisions are basically sound; they just need fine tuning to correct these two issues. These solutions are not revolutionary; they are evolutionary. Fine-tuning of the law will provide a firm basis for legitimate negotiations between rights holders and assumed infringers without fear of one side or the other turning to the courts before good faith discussions can take place.

Changes to the Law

It has been suggested that the groundless threats provisions are outdated and unnecessary. However, as a party to the Paris Convention, the UK is required to meet its obligations under the Convention and is required to include provisions to deal with groundless threats under Art.10bis of the Paris Convention.

A 'revolutionary' approach has also been suggested in which the provisions of Art.10bis of the Paris Convention are transposed verbatim into UK law. However, it is over 100 years since Art.10bis became part of the Paris Convention and no one has ever challenged UK law as not meeting its obligations under the Convention. It would seem, therefore that such a step is unnecessary.

In addition, such an approach would create significant uncertainty by throwing out many decades of jurisprudence and introduce new language into the statute, much of which is open to interpretation. Furthermore, such a change in UK law could have further unforeseen consequences in other areas of law and would require considerable reflection.

Further Input

Qualcomm would welcome the opportunity to discuss this further with the Law Commission. The undersigned will make contact by phone in the next few weeks in order to set up a meeting at a mutually convenient time in London.

George Whitten

Vice President, Patent Counsel

QUALCOMM Europe, Inc.

Response #: 18

**Groundless Threats:
Completed Response**

Name:	Alice Findlay on behalf of Reddie & Grose LLP
Category:	Attorney
Email:	
Address:	16 Theobalds Road London WC1X 8PL
Telephone	

Confidential: Off	
-----------------------------	--

<p>Question <u>1</u>) Have the problems with the current law been correctly identified?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>2</u>) Do other problems exist?</p> <p><u>Response:</u> No</p> <p><u>Comments:</u></p>
<p>Question <u>3</u>) Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>4</u>) If so, should this protection continue to apply to unregistered design right?</p> <p><u>Response:</u> No</p> <p><u>Comments:</u> All unregistered rights should be treated separately. For unregistered rights, there is no (even theoretical) possibility for a potential infringer to check a register of rights, before, for example, selling or marketing a product. The primary (likely only) way for a third party to be aware of a particular unregistered right is for the rights holder to alert the third party to the existence of the right and therefore the possibility of infringement. In addition, since there has been no examination of the scope or validity of the rights, the rights holder often cannot easily make a distinction between valid rights (where a threat may be justified) and invalid rights (where a</p>

threat must be unjustified). The means for preventing abuse of this procedure by the unregistered rights holder should be different from the means for preventing such abuse of registered rights, since different considerations apply. However we feel strongly that there must be an effective way of preventing abuse on the basis of alleged unregistered rights since our experience is that they can be very disruptive, potentially fatal to businesses, especially small ones

Question 5)

Do consultees agree that the law of groundless threats actions should be reformed?

Response: Yes

Comments:

Question 6)

Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

Response: Yes

Comments:

Although ideally some definition of what "intend" means should be included, to avoid lengthy discussions on this point. Possibly use the "good and serious preparations" language found in the Patents Act elsewhere

Question 7)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?

Response: Yes

Comments:

Although unregistered design rights should be treated separately, as discussed above.

Question 8)

If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?

Response: Yes

Comments:

Question 9)

Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?

Response: No

Comments:

Such threats should not be exempt, since they may cause commercial damage to an innocent third party.

Question 10)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>11)</u></p> <p>If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>12)</u></p> <p>Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>Agree that the exemption should be limited to those who have made the commercial decision to brand services using the mark. It is the down the line trader who needs protection as the Paper says</p>
<p>Question <u>13)</u></p> <p>Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p> <p>However, there needs to be some mechanism to avoid abuse by professionals (although this is rare). Possibly there should be some sort of "flagrant" or "reckless" exclusion but judging that would be difficult. Regulatory bodies should include a specific mention of threats in their guidelines on professional practice but they have very limited powers of censure for failure to follow their guidelines. IPReg who regulates the Patent and Trade Mark professions have only two options: no action or striking off the Register</p>
<p>Question <u>14)</u></p> <p>Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>

<p><u>Question 15)</u></p> <p>Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 16)</u></p> <p>If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 17)</u></p> <p>If so, should assertions about the right include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u></p> <p>1) should be exempt as this is generally a matter of fact (at least for registered rights);2) should not be exempt in general, since validity may be a subjective issue and a matter of opinion (even if there is a prima facie assumption of validity based on registration);3) should be exempt, since whether a registered right is in force is general a matter of fact;4) should be exempt as long as this is restricted to factual information describing the right (not, for example, assertions that a patent claim has a particular scope or a drawing shows a certain feature);5) should not be exempt, as such an assessment of similarities may be a subjective issue and a matter of opinion.</p>
<p><u>Question 18)</u></p> <p>Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>Although this may be tricky to implement in practice, since discovering the identity of a primary infringer will almost always involve an assessment of what acts that party has performed and therefore whether a right has potentially been infringed.</p>
<p><u>Question 19)</u></p> <p>Do consultees agree that it should not be a threat to provide factual information to a</p>

person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?

Response: Yes

Comments:

Question 20)

If so, should factual information include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Other

Comments:

1) yes, since this is generally a matter of fact (at least for registered rights) and seems to correspond to the original "mere notification" provision; 2) no, since validity may be a subjective issue and a matter of opinion (even if there is a prima facie assumption of validity based on registration); 3) yes, since whether a registered right is in force is generally a matter of fact; 4) yes, as long as this is restricted to factual information describing the right (not, for example, assertions that a patent claim has a particular scope or a drawing shows a certain feature); 5) no, since such an assessment of similarities may be a subjective issue and a matter of opinion.

Question 21)

Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?

Response: Yes

Comments:

Question 22)

If so, when should it be legitimate to make such a threat? Is a specific defence required?

Response: N/A

Comments:

As a precursor to genuine license negotiations. A specific defense would be best

Question 23)

Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?

Response: No

Comments:

<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> There needs to be some sort of good faith defence available, in order to encourage negotiations where the patentee genuinely believes the right to be valid and infringed. However, we agree that the defence should not extend to a declaration that the patent has not been infringed and an injunction to stop the threats. Any good faith defence should only apply to damages.</p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> 1 but hard to know what could be done. Probably rely on costs as the remedy 3 but</p>

only occasionally and probably not sufficiently often to justify the time and effort it would take to try and resolve
<p>Question <u>29)</u></p> <p>Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u></p> <p>The current gaps have probably been correctly identified but there is uncertainty about Amazon and eBay listings for example and new gaps are always appearing as ebusiness expands</p>
<p>Question <u>30)</u></p> <p>We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p> <p>The advantages and disadvantages of such a new statutory tort have been outlined very well in the consultation paper.</p>
<p>Question <u>31)</u></p> <p>We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p> <p>On the whole for responsible practitioners, the threats provisions can be seen as beneficial as they ensure care and caution in handling infringement disputes. When used as a tool by aggressive litigators, they can rack up expense and deter small rights holders from pursuing infringement of their rights</p>
<p>Question <u>32)</u></p> <p>We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u></p> <p><u>Comments:</u></p>
<p>Question <u>33)</u></p> <p>We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p>
Question <u>34)</u>

<p>Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much? It would reduce the number of cases litigated? If so, how many cases might be affected?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> Agree on 1 but don't think 2 will be significant. We think the impact on actual litigated cases may be small</p>
<p>Question <u>35)</u> We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> See comments already made above. We believe there would need to be a procedure to prevent abuse built in to the Act as the Regulator is very restricted as to what they can do.</p>
<p>Question <u>36)</u> Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of legal advice? If so, by how much? It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Off</p> <p><u>Comments:</u> Agree on 1 but on 2 and 3 do not think it would make a significant difference</p>
<p>Question <u>37)</u> We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u> This would seem to be a positive move, and the advantages are already well set out in the consultation paper. However, since such a wider approach may take some time to implement, we believe that this wider approach should not be instead of an evolutionary approach to reform (extending the 2004 patent changes to other rights) but in addition to it.</p>

Response #: 19

**Groundless Threats:
Completed Response**

Name:	Rt. Hon. Professor Sir Robin Jacob
Category:	
Email:	
Address:	
Telephone	

Confidential: Off	
-----------------------------	--

<p>Question 1) Have the problems with the current law been correctly identified?</p> <p>Response: Other</p> <p>Comments: In part only. In particular there is no solution to the well advised right holder who sues first (with no letter) and then offers to settle - just as intimidating commercially if not more than a letter. nor is there a solution to the party who sues but drags the proceedings out to keep the market uncertain. Finally I do not regard the fact that legal advisors who threaten can be liable a problem at all. Far from it - it is a healthy restraint on cowboy (and other) legal advisors - of whom there are lots out there. The Commission needs to understand that it will not have representations from the legal profession about this, but the problem is very real indeed. I never recall the lack of protection for lawyers being a problem in my time at the Bar. I know of nothing which has changed that - I never saw a single case when I was a judge where an advisor had been sued. Leave well alone.</p>
<p>Question 2) Do other problems exist?</p> <p>Response: Yes</p> <p>Comments: yes, the use of deliberate publicity about legal proceedings by claimants with weak cases can clearly damage a defendants' market. The propose detailed reconstruction of the threats provision simply does not deal with this. I favour the new tort approach and that consideration should be given to including within it some sort of claim for making a party liable for giving unnecessary publicity to a false claim of infringement of IP rights. I recognise how difficult this is - we already have slander of title but this involves malice. And there is the problem of legal privilege,</p>

But I would like to have seen a debate about all this.
<p>Question 3)</p> <p>Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> I think that fiddling (again) with specific threats provisions is not the way to go - the more general approach is better, But obviously if the provisions should retained they should be the same for all IPR - does that include breach of confidence - a serious matter since employers are apt to use this type of action (and threats of it) to suppress competition by ex-employees notwithstanding the firmness with which the courts reject their claims (cf the recent Caterpillar case - the latest in a long history of that sort of case).</p>
<p>Question 4)</p> <p>If so, should this protection continue to apply to unregistered design right?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 5)</p> <p>Do consultees agree that the law of groundless threats actions should be reformed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 6)</p> <p>Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 7)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question 8)</p> <p>If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
Question 9)

Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?
<p><u>Response:</u> No</p> <p><u>Comments:</u> Only the party who is primarily responsible for placing on the UK market should be subject to the exemption. An individual, such a designer, would be particularly vulnerable to unjustified threats</p>
<p><u>Question 10)</u> Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 11)</u> If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 12)</u> Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u> The exemption should apply to the service supplier - it does not matter who took the decision.</p>
<p><u>Question 13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u> Absolutely not for the reasons given above. I would only add that giving exemption will not in any way deal with the supposed problem of the creation of a conflict between client and lawyer. For I assume the client can be sued for his agent's letter (unless the proposal is to provide complete exemption for lawyers' threats - which is absurd). if he he he can very probably turn on his lawyer.</p>

<p><u>Question 14)</u></p> <p>Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> No</p> <p><u>Comments:</u></p> <p>This must be retained. True it is that a "mere notification" may really mean "but for the threats provisions I would be threatening you." But it is enough to enable negotiations to start. And remember that there are legal reasons why a party would wish to give notice - for instance removing any prospect of an innocence defence in patents and fixing a 2ndry copyright infringer with knowledge.</p>
<p><u>Question 15)</u></p> <p>Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 16)</u></p> <p>If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 17)</u></p> <p>If so, should assertions about the right include the following:</p> <p>The right exists?</p> <p>It is valid?</p> <p>It is in force?</p> <p>Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and</p> <p>Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?</p>
<p><u>Response:</u> Other</p> <p><u>Comments:</u></p> <p>All except 5. That is a matter for the recipient to assess.</p>
<p><u>Question 18)</u></p> <p>Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p><u>Question 19)</u></p>

Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?

Response: Yes

Comments:

Question 20)

If so, should factual information include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Other

Comments:

All except 5 - see above

Question 21)

Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?

Response: Other

Comments:

The Commission seems to think that the this sort of situation is widespread. Not in my experience. IP owners want to stop both primary and secondary infringers. Of course litigation or threatened litigation may settle, but the prospect of large licensing stream will not normally be the reason for an initial communication even to a primary infringer. As for communicating to a secondary infringer, with a view to licensing him or her (without involving the primary infringer) that is near fanciful

Question 22)

If so, when should it be legitimate to make such a threat? Is a specific defence required?

Response: N/A

Comments:

n/a

Question 23)

Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?

Response: No

Comments:

<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> yes to all</p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> Yes</p>

<u>Comments:</u> See above
<p>Question <u>30)</u></p> <p>We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p> <p>I am in favour of this. But it needs a lot more discussion, for instance 1. If you write to a primary manufacturer the tort does not apply. But it would apply if you wrote to an importer for his supplier (who will be a competitor albeit abroad) might well be caused loss. 2. In effect the tort is a focussed slander of goods(services) without the requirement of malice. I am not convinced that the full implications have been been considered.</p>
<p>Question <u>31)</u></p> <p>We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p> <p>it is a long time since I was a legal advisor. But I do not think the threats provisions mattered much at all from the point of view of handling disputes.</p>
<p>Question <u>32)</u></p> <p>We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u></p> <p><u>Comments:</u></p>
<p>Question <u>33)</u></p> <p>We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p>
<p>Question <u>34)</u></p> <p>Do consultees agree that: The costs of such a reform would be minimal? It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much? It would reduce the number of cases litigated? If so, how many cases might be affected?</p>
<p><u>Response:</u> Other</p>

Comments:

1. Yes. 2 and 3 No. I cannot see that it would make any real difference to costs or the amount of litigation. I do not count for this purpose those instances where proceedings are simply issued and then settled. The "proceedings" in that sort of case are really no more than part of the negotiation. The proposals will make no difference to disputed litigation

Question 35)

We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.

Response: N/A

Comments:

I do not know what is meant by "evidence" Giving lawyers a free hand to threaten will simply increase threatening behaviour

Question 36)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of legal advice? If so, by how much?

It would make it easier for small businesses to contact alleged infringers?

Response: Other

Comments:

1 Yes 2. Not at all. 3. Not at all.

Question 37)

We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.

Response: N/A

Comments:

Yes. But this proposal requires a lot of discussion.

Response #: 20

**Groundless Threats:
Completed Response**

Name:	Catherine Ayers
Category:	Attorney
Email:	
Address:	Scott & York Intellectual Property Law 45 Grosvenor Road St. Albans Hertfordshire AL 1 3AW
Telephone	

Confidential: Off	
-----------------------------	--

Question 1) Have the problems with the current law been correctly identified?
<u>Response:</u> Yes
<u>Comments:</u>
Question 2) Do other problems exist?
<u>Response:</u> Other
<u>Comments:</u> We cannot think of any obvious problems
Question 3) Do consultees agree that protection against groundless threats of infringement proceedings should be retained?
<u>Response:</u> Yes
<u>Comments:</u>
Question 4) If so, should this protection continue to apply to unregistered design right?
<u>Response:</u> Yes
<u>Comments:</u>
Question 5) Do consultees agree that the law of groundless threats actions should be reformed?
<u>Response:</u> Yes
<u>Comments:</u>

We strongly agree - the law is badly in need of reform
<p>Question <u>6</u>)</p> <p>Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who <i>intend</i> to make or import a product for disposal or to use a process?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>7</u>)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>8</u>)</p> <p>If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>9</u>)</p> <p>Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>10</u>)</p> <p>Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>11</u>)</p> <p>If so, should the provisions exempt a threat, made to a person who: has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or has imported goods to which the mark has been applied or to their packaging (or intends to do this), where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
Question <u>12</u>)

Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to brand the services using the mark.
<p><u>Response:</u> No</p> <p><u>Comments:</u> We have found there are very few groundless threats issues in relation to the supply of services under a given trade mark. It is much easier to locate a primary infringer of marks used for services and this may be the reason for the fact that groundless threats issues rarely occur in this context. For this reason, we are in favour of maintaining the current position. The exemption proposed, i.e. that it should only apply to those who have taken the commercial decision to brand the services using the mark is, in our view, unworkable in practice. How would the sender of a Cease and Desist letter be expected to know who has made the commercial decision to brand the services using the mark? Service companies can frequently be split up into various different entities and it will be all too easy inadvertently to send such a letter to the wrong subsidiary company, for example and receive a tactical threats action as a result.</p>
<p>Question <u>13)</u> Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u> Provided the sender of the letter is regulated, we agree they should not be liable.</p>
<p>Question <u>14)</u> Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>15)</u> Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>16)</u> If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?</p>
<p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
Question <u>17)</u>

If so, should assertions about the right include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Other

Comments: Broadly speaking, our answer is "yes". However, we feel uneasy about the ability for patentees or proprietors of other rights to include an assertion that the right "is valid" as this is one of the key questions which would be determined by the court in any legal proceedings. It seems to us that a person who is not entirely familiar with the patents/trade marks/designs act might well take an assertion that a right "is valid" at face value. Consequently, we believe that assertions to effect that a right is valid should not be permitted, unless the right has previously been held to be valid by a relevant tribunal.

Question 18)

Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?

Response: No

Comments:

Question 19)

Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?

Response: Yes

Comments:

Question 20)

If so, should factual information include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?

Response: Other

<p><u>Comments:</u> Please see answer to Qu 17 above</p>
<p>Question <u>21)</u> Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u> A full exemption would seem to leave room for an effective threat to be made.</p>
<p>Question <u>22)</u> If so, when should it be legitimate to make such a threat? Is a specific defence required?</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p>
<p>Question <u>23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p>Question <u>24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> If such an exemption is to be made, it should be subject to a good faith requirement</p>
<p>Question <u>25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p>Question <u>26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>

<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made? Allegations which fall short of threats? Threats to sue for a related cause of action, such as passing off or breach of confidence? Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u> We would tend not to hustle our clients to court or make roundabout allegations which fall short of actual threats under the provisions the Trade Marks Act but we do, of course, seek indemnities on behalf of our clients, which does cause delay.</p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> There may be other gaps in the protection provided by the groundless threats provision which need to be addressed but we believe that the most serious of these have been addressed by this consultation</p>
<p><u>Question 30)</u> We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u> Although a new statutory tort would on the face of it be desirable, this would cause delay in implementing any reform, which would not be desirable. Furthermore, we feel that creation of a new statutory tort is probably "overkill", given that many of the issues with the current regime are being addressed by this consultation</p>
<p><u>Question 31)</u> We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p>

Comments:

The groundless threats provisions impact on all Cease and Desist letters issued on behalf of our clients, although we rarely have to seek indemnities from clients, due to the fact we try extremely hard to track down primary infringers. However, we do frequently see our clients being the subject of the Ebay VeRO complaints which are often completely unjustified. Such threats, though, harm retailers both in connection with the delisting of the product and in that the sellers "status" as a retailer on eBay will also be negatively affected as a result. It is therefore vitally important that any reforms still give robust protection to retailers in respect of threats

Question 32)

We welcome evidence from retailers and others about:
the frequency of threats concerning patent, trade mark and design rights infringement; and
how they react to such correspondence.

Response:

Comments:

Question 33)

We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the exemption for threats made to primary infringers.

Response: N/A

Comments:

We are of the view that the costs of reform would be minimal, given that regulated lawyers, patent and trade mark attorneys all have to engage in CPO. It could also reduce the cost of engaging an advisor, in the longer term, once the changes have been assimilated.

Question 34)

Do consultees agree that:

The costs of such a reform would be minimal?

It would reduce the cost of engaging an adviser to act and to draft pre-action correspondence? If so, by how much?

It would reduce the number of cases litigated? If so, how many cases might be affected?

Response: Other

Comments:

See above. We think it will also reduce the number of cases litigated due to less tendency to proceed to court as the "safe" alternative to issue a cease and desist letter.

Question 35)

We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.

Response: N/A

<u>Comments:</u>
<p>Question 36)</p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p> <p>We agree that the costs of such a form would be minimal as outlined above. It would also decrease the worry to small businesses inherent in providing an indemnity to their lawyers and would thus make it easier for small businesses to deal with alleged infringers.</p>
<p>Question 37)</p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p>
<p><u>Comments:</u></p> <p>See our answer to Question 30</p>

Response #: 21

**Groundless Threats:
Completed Response**

Name:	Jonathan Cornthwaite
Category:	Lawyers
Email:	
Address:	Wedlake Bell LLP
Telephone	

Confidential: Off	
-----------------------------	--

<p>Question <u>1</u>) Have the problems with the current law been correctly identified?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>2</u>) Do other problems exist?</p> <p><u>Response:</u> Off</p> <p><u>Comments:</u></p>
<p>Question <u>3</u>) Do consultees agree that protection against groundless threats of infringement proceedings should be retained?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>4</u>) If so, should this protection continue to apply to unregistered design right?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u></p>
<p>Question <u>5</u>) Do consultees agree that the law of groundless threats actions should be reformed?</p> <p><u>Response:</u> Yes</p> <p><u>Comments:</u> Pre-action conduct Groundless threats provisions are at odds with the CPR in that they encourage</p>

litigation and dissuade IP rights holders from entering into pre-action negotiations with infringers for fear of counterclaims for groundless threats. The disparity between the CPR and groundless threats provisions is even more stark post Jackson. This creates a serious dilemma for would be litigants: comply with the CPR on pre action conduct but risk inciting a counterclaim for groundless threats or disregard pre action conduct rules and risk being penalised by the courts on costs at trial. A separate pre-action protocol for IP litigation which took into account groundless threat counterclaims would remove this dilemma. A new exemption permitting IP rights holders to discuss the granting of licences and/or the payment of royalty fees with infringers without an actionable threat arising should be introduced to the groundless threats regime. This would avoid unnecessary litigation and encourage parties to settle where appropriate, in accordance with the CPR.

Bargaining Power

The current groundless threat provisions assume that IP rights holders are generally in a dominant commercial position with the power to abuse the market and restrict competition. This will of course be the case in many cases however, the groundless threats provisions are arguably prejudicial to less commercially dominant IP rights holders whose rights are infringed by large corporates. An element of discretion regarding the size and power of the parties involved in groundless threats proceedings may therefore be useful.

Question 6)

Do consultees agree that section 70(4)(b) of the Patents Act 1977 should be extended to apply to threats made to those who *intend* to make or import a product for disposal or to use a process?

Response: Yes

Comments:

Question 7)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the groundless threats provisions for registered and unregistered design rights should be extended?

Response: Yes

Comments:

Question 8)

If so, should the provisions exempt a threat, made to a person who has made or imported a product or article (or who intends to make or import a product or article), to bring proceedings for an infringement alleged to consist of doing anything else in relation to the product or article?

Response: Off

Comments:

Question 9)

Should the legislation exclude threats made to any other parties, such as the designer who produced the design document?

Response: Off

Comments:

Question 10)

Do consultees agree that the exemption for threats of proceedings for primary infringement in the threat provisions relating to trade marks should be extended?

Response: Other

Comments:

2004 Patent Reforms

Equivalent provision to those contained in the 2004 Patent Reforms should be enacted for trade marks and design rights. The 2004 Reforms have struck a better balance between granting wider scope for IP rights holders to pursue infringers without fear of a counterclaim for groundless threats and allowing alleged infringers to rely on groundless threats for protection where such protection is genuinely required. Equivalent provisions for trade marks and design rights would harmonise groundless threats provisions across these three forms of intellectual property and provide much needed clarity. Further, the increasing complexity of products means that it is possible for one item to be protected by several different types of intellectual property right. It is therefore only sensible that the groundless threats provisions be harmonised for trade marks, design rights and patents. Whilst the 2004 Reforms exempt the provision of factual information regarding a patent by its holder from being an actionable threat, the meaning of 'factual information' should be clarified as it remains unclear what exactly patent holders can say to infringers before going too far and giving rise to an actionable threat. If equivalent provisions to the 2004 Patent Reforms are enacted for trade mark and design rights, the same clarification of 'factual information' should be made. The ability to threaten primary infringers with litigation for acts of secondary infringement without an actionable threat arising should be extended to trade marks and design rights. If an infringer has committed a strict liability offence such as the manufacture of infringing goods, he should not be entitled to counterclaim for groundless threats in respect of any subsequent secondary infringement he commits, such as the sale of the infringing goods he has produced, which has been made possible by virtue of his primary infringement.

Question 11)

If so, should the provisions exempt a threat, made to a person who:
has applied a mark to goods or their packaging, or who has caused the mark to be applied (or who intends to do this); or
has imported goods to which the mark has been applied or to their packaging (or intends to do this),
where the threat is to bring proceedings for an infringement alleged to consist of doing anything else in relation to the mark?

Response: Yes

Comments:

Question 12)

Do consultees agree that the exemption should not apply to all threats made to those who have supplied services under a mark? We welcome views on whether the exemption should only apply to those who have taken the commercial decision to

brand the services using the mark.

Response: Off

Comments:

Question 13)

Do consultees agree that a lawyer, registered patent attorney or registered trade mark attorney should not be liable under the threats provisions for an act done in their professional capacity on behalf of a client?

Response: Other

Comments:

Legal representatives

The legal representatives of IP rights holders should be exempt from the groundless threats regime. The ability of alleged infringers to counterclaim against the party making the threat and their legal representatives offers too much protection for the claimant in groundless threat proceedings and causes potential conflicts between IP rights holders and their lawyers. The regulations applicable to legal professionals already impose an obligation on solicitors to act with integrity and in good faith. As such, there is no need for the additional remedy of making solicitors the subject of groundless threat proceedings.

Question 14)

Do consultees agree that there should not be a general exemption for the mere notification of a right or the provisions of factual information?

Response: Yes

Comments:

Question 15)

Do consultees agree that the provisions exempting enquiries to find the trade source and permitting assertions to be made should not be confined to patents, but should also apply to trade mark and registered and unregistered design rights?

Response: Yes

Comments:

Question 16)

If so, should the exemption be revised? In particular should it clarify what assertions can legitimately be made about the right?

Response: Off

Comments:

Question 17)

If so, should assertions about the right include the following:

The right exists?

It is valid?

It is in force?

Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and

Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?
<u>Response:</u> Off
<u>Comments:</u>
Question 18) Should the exemption be limited to enquiries for the sole purpose of discovering the identity of the primary infringer, rather than also permitting enquiries to discover "whether" a right has been infringed?
<u>Response:</u> Off
<u>Comments:</u>
Question 19) Do consultees agree that it should not be a threat to provide factual information to a person who, if they were infringing, would benefit from one of the innocent infringement provisions for patents, and registered and unregistered design rights?
<u>Response:</u> Yes
<u>Comments:</u>
Question 20) If so, should factual information include the following: The right exists? It is valid? It is in force? Details about the right including specifications, drawings, claims, restrictions on the right, depictions of the mark or design or any other information that describes the right? and Details about the alleged similarities between the rights holders' patent, trade mark or registered or unregistered design rights and the product, process, mark or design in question?
<u>Response:</u> Off
<u>Comments:</u>
Question 21) Should communication with a secondary infringer about an alleged infringement, made with a view to entering into negotiations over the grant of a licence and its terms be exempted from the threats provisions?
<u>Response:</u> Yes
<u>Comments:</u>
Question 22) If so, when should it be legitimate to make such a threat? Is a specific defence required?
<u>Response:</u> N/A
<u>Comments:</u>

<p><u>Question 23)</u> Are there other types of threat made to secondary infringers which should be exempted from the groundless threats provisions?</p>
<p><u>Response:</u> No</p>
<p><u>Comments:</u></p>
<p><u>Question 24)</u> Should a good faith requirement apply to the three specific defences, which are set out above?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p><u>Question 25)</u> Do consultees agree that the provisions in section 70(6) of the Patents Act 1977 exempting threats where the primary infringer cannot be found should also apply to trade marks and registered and unregistered design rights?</p>
<p><u>Response:</u> Yes</p>
<p><u>Comments:</u></p>
<p><u>Question 26)</u> If so, should the provisions state that: A person who issues a threat should have a defence where they have taken all practical steps in the circumstances to identify the primary infringer but have not been successful? That before or at the time of making the threat, the recipient of the threat should be notified of all practical steps that have been taken in order to identify the primary infringer?</p>
<p><u>Response:</u> Off</p>
<p><u>Comments:</u></p>
<p><u>Question 27)</u> Do consultees agree that the current “good faith” defence in section 70(2A)(b) of the Patents Act 1977 should be repealed?</p>
<p><u>Response:</u> Other</p>
<p><u>Comments:</u> Good faith defence The good faith defence currently available to defendants in groundless threat proceedings should be amended. Currently, the defence only arises at a very late stage in proceedings and after the parties involved have already expended considerable cost in pursuing the action. This is contrary to the CPR, particularly in respect of the more stringent post-Jackson obligation to keep the cost of litigation to a minimum.</p>
<p><u>Question 28)</u> Are problems caused in practice by the failure of the groundless threats provisions to cover: Cases where court proceedings are issued prior to a threat being made?</p>

<p>Allegations which fall short of threats?</p> <p>Threats to sue for a related cause of action, such as passing off or breach of confidence?</p> <p>Threats to sue elsewhere in the EU?</p>
<p><u>Response:</u> Off</p> <p><u>Comments:</u> Jurisdiction Groundless threats provisions should not be extended so as to make the threat of litigation in any jurisdiction an actionable threat in the English Courts. Whilst IP rights holders may threaten litigation overseas as a means of circumventing the English groundless threats provisions, as the Law Commission's consultation paper explains, many overseas jurisdictions have similar perfectly adequate groundless threats regimes in place. It should therefore be left to the courts of the country in which proceedings are threatened to police the use of groundless threats in their jurisdiction.</p>
<p><u>Question 29)</u> Are there other gaps in the protection provided by the groundless threats provisions which need to be addressed?</p>
<p><u>Response:</u> Off</p> <p><u>Comments:</u></p>
<p><u>Question 30)</u> We welcome views on the advantages and disadvantages of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered and unregistered design right infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p>
<p><u>Question 31)</u> We welcome evidence from legal advisers on the impact the groundless threats provisions have on their handling of infringement disputes.</p>
<p><u>Response:</u> N/A</p> <p><u>Comments:</u></p>
<p><u>Question 32)</u> We welcome evidence from retailers and others about: the frequency of threats concerning patent, trade mark and design rights infringement; and how they react to such correspondence.</p>
<p><u>Response:</u></p> <p><u>Comments:</u></p>
<p><u>Question 33)</u> We welcome evidence on the impact of reforming the law of groundless threats in trade mark and registered and unregistered design rights so as to extend the</p>

exemption for threats made to primary infringers.
<u>Response:</u> N/A
<u>Comments:</u>
<p>Question <u>34</u>)</p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of engaging an adviser to act and to draft pre- action correspondence? If so, by how much?</p> <p>It would reduce the number of cases litigated? If so, how many cases might be affected?</p>
<u>Response:</u> Off
<u>Comments:</u>
<p>Question <u>35</u>)</p> <p>We welcome evidence on the impact of providing protection against liability for legal advisers for making threats of infringement proceedings when acting on behalf of clients.</p>
<u>Response:</u> N/A
<u>Comments:</u>
<p>Question <u>36</u>)</p> <p>Do consultees agree that:</p> <p>The costs of such a reform would be minimal?</p> <p>It would reduce the cost of legal advice? If so, by how much?</p> <p>It would make it easier for small businesses to contact alleged infringers?</p>
<u>Response:</u> Off
<u>Comments:</u>
<p>Question <u>37</u>)</p> <p>We welcome initial views on the impact of creating a new statutory tort of making false or misleading allegations in relation to patent, trade mark or registered or unregistered design rights infringement in the course of trade, which cause or are likely to cause loss to a competitor.</p>
<u>Response:</u> N/A
<u>Comments:</u>