



Patents, Trade Marks and Design Rights: Groundless Threats

Introduction

The IP Federation represents IP intensive companies in the United Kingdom – a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do they own considerable numbers of IP rights, but they are affected by the activities and IP rights of competitors.

The consultation

On 17 April 2013, the Law Commission published a [consultation paper](#) on groundless threats. This consultation relates to their [Patents, Trade Marks and Design Rights: Groundless Threats](#) project. The Commission is consulting on two approaches to reform:

- The first is to build on the reforms made to patent law in 2004 and to extend these to the other rights. We also propose that legal advisers should be protected from liability for groundless threats.
- The second approach is to treat groundless threats as a form of unfair competition and to introduce a new and broader cause of action based on the Paris Convention.

The closing date is 17 July 2013.

IP Federation response

The IP Federation response is attached. The IP Federation agrees with the general consensus that the unlawful threats provisions should be retained in some form. The main problems we see with the current law are that it is too complex (due, in large part, to the differences in the threats provisions with respect to different IPRs) and, in places, overly broad. For example, we believe that, as a general matter, rights holders should be able to notify potential secondary infringers of certain factual matters, without risking a threats action. It is also unnecessary for the provisions to catch professional advisers writing on behalf of their clients.

We therefore agree with the Law Commission's proposal for an evolutionary approach to reform, rather than the “wider approach” discussed in Chapter 9. Whilst if looked at afresh the “wider approach” has its benefits (e.g. it would be more obviously in line with the “unfair competition” provisions of the Paris Convention and the approaches taken in most civil law jurisdictions), the introduction of such a regime in the UK would cause considerable

uncertainty, and hence additional cost, in the short-to-medium term. Given that the existing regime is reasonably well understood, and can certainly be improved, we do not believe it would be sensible to discard it.

As for the details of the reforms, consistent with the above, we believe the position for the different IPRs should be aligned. We also believe it would be sensible to clarify exactly what can be said to secondary infringers without triggering a threats action (as noted above, we believe rights holders should be able to notify secondary infringers of certain factual matters, without any risk of a threats action). On the other hand, where there is no clear argument one way or the other, we would suggest maintaining the status quo, in order to avoid confusion and additional cost to businesses.

IP Federation
17 July 2013



IP Federation members 2013

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

AGCO Ltd
ARM Ltd
AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Caterpillar U.K. Ltd
Delphi Corp.
Dyson Technology Ltd
Element Six Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Europe Inc
Ford of Europe
Fujitsu Services Ltd
GE Healthcare
GKN plc
GlaxoSmithKline plc
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia UK Ltd
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Smith & Nephew
Syngenta Ltd
The Linde Group
UCB Pharma plc
Unilever plc
Vectura Limited



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 IP Federation

Type: Other: Industry body

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Email: admin@ipfederation.com

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.

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:

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 2 Do other problems exist? (7.92)

Yes: No: Other:

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

Agree: Disagree: Other:

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

Yes: No: Other:

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.

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

Agree: Disagree: Other:

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.

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:

In addition to this common-sense 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).

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:

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:

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:

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:

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:

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:

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.

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:

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:

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 exemption for notifications is not needed.

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: Disagree: Other:

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:

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:

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.

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:

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:

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:

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:

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 (e.g. the rights holder could simply demand an unreasonable royalty).

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.

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: No: Other:

Whilst we recognise the desirability of a "good faith" standard, such a test could well be too woolly/uncertain to be desirable (e.g. case law may well be needed in order to establish which acts would qualify for good faith in respect of each of the different exemptions).

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:

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:

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:

Whilst we appreciate the problems with the current defence in s. 70(2A)(b), we would prefer to maintain the status quo and leave the provision unchanged.

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:

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.

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:

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)

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.

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)

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.

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 IP Federation is unable to comment on this question.

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: Disagree: Other:

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: Disagree: Other:

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 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 (e.g. depending on how case law developed), that it would lead to reduced costs in the longer term.