



**Law  
Commission**  
Reforming the law

## Patents, Trade Marks and Designs: Unjustified Threats

**50  
YEARS**

# **The Law Commission**

(LAW COM No 360)

## **PATENTS, TRADE MARKS AND DESIGNS: UNJUSTIFIED THREATS**

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**THE LAW COMMISSION**  
**PATENTS, TRADE MARKS AND DESIGNS:**  
**UNJUSTIFIED THREATS**

**CONTENTS**

	<i>Paragraph</i>	<i>Page</i>
<b>GLOSSARY</b>		<b>III</b>
<b>SCOTTISH TERMINOLOGY</b>		<b>IX</b>
<b>RELEVANT LEGISLATION</b>		<b>X</b>
CHAPTER 1: The history of the project		
Introduction	1.1	1
An evolutionary approach	1.8	2
The current threats provisions	1.10	2
The case for reform	1.19	5
The effect in practice	1.30	7
The 2013 consultation	1.35	9
Consultees' comments on the reforms	1.40	10
Our 2014 report	1.49	12
Thanks and acknowledgements	1.60	15
CHAPTER 2: The Government's response to the recommendations		
Introduction	2.1	16
The Government's response	2.3	16
Legitimate commercial purpose	2.4	16
Reasonable or best endeavours to find the primary actor	2.17	19
Professional adviser liability	2.21	20

	<i>Paragraph</i>	<i>Page</i>
CHAPTER 3: The link with the UK		
Introduction	3.1	22
From European Patent to Unitary Patent	3.3	22
The current UK link	3.6	23
The Best Buy case	3.15	25
A new UK link	3.26	28
Conclusion and recommendations on the UK link	3.41	32
CHAPTER 4: Commentary on the Bill		
Approach to drafting	4.2	33
Stakeholder comments on the Bill	4.8	34
The structure of the draft Bill	4.10	34
An overview of the new provisions	4.12	35
A threat	4.16	36
An actionable threat	4.22	37
Permitted communications	4.31	40
Remedies	4.41	43
Defences	4.43	43
Professional advisers	4.50	45
Registered rights pending grant	4.56	46
Delivery up and orders for disposal	4.58	47
<b>APPENDIX A: THE CURRENT LAW</b>		<b>49</b>
<b>APPENDIX B: THE 2014 AND 2015 RECOMMENDATIONS</b>		<b>55</b>
<b>APPENDIX C: INTELLECTUAL PROPERTY (UNJUSTIFIED THREATS) BILL</b>		<b>59</b>
<b>APPENDIX D: MEMBERSHIP OF THE WORKING PARTIES AND GROUPS</b>		<b>80</b>

# GLOSSARY

## PUBLICATIONS

### **The Consultation Paper**

Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212.

### **The Report**

Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346.

## INTELLECTUAL PROPERTY INSTITUTIONS

### **IPO – Intellectual Property Office**

The official Government body responsible for granting and regulating intellectual property rights in the UK.

### **EPO – European Patent Office**

The EPO is the executive body for the European Patent Organisation, based in Munich. It was established under the European Patent Convention and is responsible for the granting of European Patents under the Convention. The EPO will also grant and regulate Unitary Patents once these come into effect.

## INTERNATIONAL INTELLECTUAL PROPERTY RIGHTS

### **European Patents**

Once approved, the applicant is granted a bundle of national patents in those states for which they are eligible and have applied, out of the 38 states that have signed the European Patent Convention. The signatory states comprise the 28 EU member states and 10 other non-EU states. The appropriate national law governs the extent of the patent holder's rights, the remedies and the procedure for infringement actions for each designation of the European Patent.

European Patents are applied for either directly to the EPO or through a national intellectual property office. Applicants must have a legal connection to a signatory state.

### **Community trade marks and Community designs**

Community trade marks and Community design right (both registered and unregistered) are pan-European unitary rights. That is, the applicant obtains a single right which offers the same rights and protection with equal effect across all 28 member states of the EU.

The Trade Marks Directive has harmonised the substantive law on trade marks between member states, which means that the underlying law is essentially the same between UK trade marks and Community trade marks. However, the Community trade mark does not replace national trade marks.

The law of registered designs is also harmonised across Europe. However, the law of unregistered designs is not harmonised. This means that, although many aspects of Community unregistered design right are similar to UK unregistered design right, there are significant differences.

Applications for a Community trade mark or Community registered design right may be made directly to OHIM or through a national intellectual property office. Community unregistered design right arises automatically.

### **Unitary Patents**

The Unitary Patent represents the last piece of the jigsaw of EU-wide rights. A Unitary Patent will be a single right, valid across the EU member states which have signed the agreement on a Unified Patent Court.

Applicants do not apply for a Unitary Patent itself. Instead, an applicant who has been granted a European Patent by the EPO in respect of all the Unitary Patent signatory states can request the EPO to register the European Patent as having unitary effect. The Unitary Patent replaces the bundle of national patents that would otherwise be granted as part of a European Patent. It will therefore be possible to have a Unitary Patent, combined with a European Patent in respect of other countries which are signatories to the European Patent Convention.

## **THE COURTS AND OTHER ADJUDICATIVE BODIES**

### **The Patents Court**

A specialist court within the Chancery Division of the High Court of England and Wales. Trade mark and design right disputes are dealt with in the general Chancery Division of the High Court.

Nominated Judges of the Court of Session hear intellectual property disputes in Scotland, and there are special Rules of Court for such cases.<sup>1</sup>

In Northern Ireland, IP disputes are dealt with by the Chancery Division of the High Court of Northern Ireland.

### **Intellectual Property Enterprise Court, formerly the Patents County Court**

The court deals with less valuable or simpler cases concerning a wide range of intellectual property rights. There is a small claims track, although this does not cover patent and registered designs disputes. There is also a fixed scale of recoverable costs subject to a cap.

### **Community trade mark courts and Community design courts**

The respective regulations require each member state to designate, from amongst its national courts, Community trade mark courts and Community design courts. Community rights may only be enforced in these national courts.

<sup>11</sup> See Rules of the Court of Session, Chapter 55 (<http://www.scotcourts.gov.uk/docs/cos---rules/chap55.pdf?sfvrsn=2>). The Sheriff Court can hear copyright and passing off cases but has otherwise only a very limited jurisdiction in IP cases; see for example, Trade Marks Act 1994 s 20 (orders for delivery up or disposal of infringing goods).

The UK Community trade mark courts are the Chancery Division of the High Court, as well as certain county courts including the Intellectual Property Enterprise Court and the Court of Session for Scotland and the Northern Ireland High Court.

The UK Community design courts are the Chancery Division of the High Court and the Intellectual Property Enterprise Court, while the Court of Session and the Northern Ireland High Court have been designated for Scotland and Northern Ireland.

These courts have exclusive jurisdiction over claims for infringement of a Community trade mark or Community design rights, and over counterclaims for revocation or declaration of invalidity.

### **The UPC – Unitary Patent Court**

The UPC is a court that is common to the member states which have signed the Unitary Patent Agreement. Whilst the UPC is a single legal entity, it is comprised of a Court of First Instance, a Court of Appeal and a Registry. The Court of First Instance is then subdivided into a central division and local/regional divisions, which are spread across the EU. Part of the central division of the UPC will be physically located in the UK. However, in legal terms it will not be part of the the UK national court system.

For patents that come within its exclusive jurisdiction, the UPC will decide all actions for infringement, declarations of invalidity and revocation, and counterclaims.

### **The Court of Justice of the European Union (CJEU)**

Previously titled the European Court of Justice, the EU's court is responsible for providing definitive pronouncements on EU legislation in order to ensure its uniform application. Appeals against the decisions of OHIM in relation to Community trade marks or Community design right also lie to this court.

### **The IPO**

Where the parties consent, the IPO will decide whether a patent has been infringed. It may make a declaration of non-infringement or revoke a patent on specific grounds. The IPO can provide an opinion on whether an act does or would infringe a patent, and on the validity of a patent. The IPO may revoke the registration of a trade mark on specified grounds or declare the mark invalid. The IPO may decide disputes about the subsistence of design right, the term and the identity of the person in whom it first vested. In respect of registered designs, any person may apply to the IPO for a declaration of invalidity or that the registration is revoked. The IPO also offers a mediation service for disputes that concern patents, trade marks, designs or copyright.

### **The EPO**

The EPO will have jurisdiction to revoke a European Patent; the courts of each contracting state may also revoke that state's designation of the European Patent. The EPO will, however, not have any such jurisdiction to hear applications for a declaration of invalidity or for revocation in respect of Unitary Patents. Further, the EPO will not make decisions on infringement in respect of either European Patents or Unitary Patents.



## **OHIM**

OHIM may deal with applications for a declaration of invalidity or for revocation of a Community trade mark or Community design right.

## **INTERNATIONAL TREATIES**

### **The Paris Convention for the Protection of Industrial Property**

First signed in 1883, this is the original International Convention for the protection of intellectual property. The central concept of the Convention is that each member state shall afford to nationals of other member states the same protection it affords to its own nationals.

### **European Patent Convention**

The Convention established the European Patent Organisation of which the European Patent Office is the executive body. The Convention creates a single grant procedure for patents in designated contracting states.

### **Community Patent Convention**

The Convention, to which the member states of the European Economic Community were signatories, was intended to create the Community Patent. The Convention never came into force because it was not ratified by enough countries. As a consequence, there is no "Community Patent". The Unitary Patent may, however, be viewed as the successor to the failed Community Patent.

### **Patent Cooperation Treaty**

This Treaty is intended to simplify the means by which an invention may be protected by patents in a large number of states. A single international application may be made under the Treaty for a national or European Patent in all contracting states. In the UK the application is made to the IPO, or for those states that have ratified the European Patent Convention, to the European Patent Office.

### **Agreement on Trade-Related Aspects of Intellectual Property Rights**

This Agreement, which builds on the Paris Convention, is administered by the World Trade Organisation. It sets down a minimum standard for protection and enforcement of intellectual property rights in member states.

### **The Madrid Agreement and Protocol**

Creates a mechanism by which a registered trade mark with national and EU effect may be obtained by a single application for an international registration in a number of designated states. The application is made to the IPO or OHIM and passed to WIPO who transmit it to the designated states where it is treated as if it were a domestic application.

These materials can be found on the WIPO website (<http://www.wipo.int/wipolex/en/>).

## **PRIMARY AND SECONDARY ACTS AND ACTORS**

### **Primary acts**

Not all threats of infringement proceedings are actionable. Threats proceedings may not be brought where a threat refers only to certain specified acts of infringement. The excluded acts tend to be those that are the greatest source of commercial damage; for example, for patents proceedings may not be brought for threats that refer to importation, manufacture or the use of a process. These acts are referred to as primary acts.

### **Primary actors**

For patents only, proceedings may not be brought for any threat where it is made to someone who has manufactured or imported a product or used a process. We refer to such persons as primary actors. Primary actors are usually the trade source of the infringement. They are more likely to be aware of the right and to be in a stronger position to challenge any threat made to them. We recommend that the law should be the same for trade marks and design rights so that threats made to primary actors in respect of those rights are also not actionable. The particular acts carried out are broadly similar although there are some differences; for example, for trade marks someone who applies a mark to goods will be a primary actor.

### **Secondary acts**

Save for threats made to primary actors in respect of patents, threats proceedings may be brought for threats that refer to any non-primary acts of infringement. We refer to these as secondary acts.

The term also has a distinct meaning for design right. The Copyright, Designs and Patents Act 1988 designates some acts of infringement as being either primary or secondary for other purposes; for example, whether knowledge of the right concerned is necessary before particular remedies are available. We are not using these terms in that sense.

### **Secondary actors**

Threats made to secondary actors, except those that refer only to primary acts of infringement, come within the threats provisions. Where such a threat is groundless (in other words, there is no infringement or the right is invalid in some way), a person aggrieved by it can bring a threats action. Secondary actors are usually doing something a step removed from the infringement by the trade source; for example, by supplying or selling an infringing product and may have little invested in the allegedly infringing product. They may be unaware that they are in fact infringing by doing whatever it is they are doing and in some cases a rights holder may have to draw to their attention the existence of the right before they have a remedy.

**Persons aggrieved**

Anyone whose commercial interest is likely to be adversely affected by a threat to sue for infringement can bring a threats action as a person aggrieved; the right to do so is not limited to the actual person threatened. For example, if a rights holder makes a threat to a competitor's customers which causes them to stop buying the competitor's product, the competitor is a person aggrieved if they suffer commercially as a result. They may bring a threats action even though they were not directly threatened.

## **SCOTTISH TERMINOLOGY**

In this Report we have used legal terms where we discuss the law as it applies to England and Wales; these are the Scottish equivalents:

Assignment means assignation

Claimant means pursuer

Costs means expenses

Declaration means declarator

Defendant means defender

Delivery up means delivery

Injunction means interdict

Interlocutory remedy means interim remedy

Stay of proceedings means a sist of proceedings

Tort means delict

# RELEVANT LEGISLATION

## NATIONAL LEGISLATION

The Registered Designs Act 1949.

The Patents Act 1977.

The Copyright, Designs and Patents Act 1988.

The Trade Marks Act 1994.

The Community Design Regulations (SI 2005 No 2339).

The Community Trade Mark Regulations (SI 2006 No 1027).

Extracts from the legislation may be found at Appendix C.

## EU LEGISLATION

### Trade marks and Design rights

The following material can be found on the OHIM website (<http://oami.europa.eu/>).

#### *The Trade Marks Directive*

Directive 2008/95/EC, replacing Council Directive 89/104/EEC which harmonised EU states' national law for trade marks.

#### *The Community trade mark Regulation*

Council Regulation (EC) No 207/2009 on the Community trade mark, replacing Council Regulation (EC) 40/94 – which introduced the Community trade mark.

#### *The Designs Directive*

Council Directive 98/71/EC – harmonised national law for registered designs.

#### *The Community designs Regulation*

Council Regulation (EC) No 6/2002 on Community designs – regulates Community unregistered design rights and Community registered design rights.

### Unitary Patent

#### *The Agreement on a Unified Patent Court*

Council Agreement on a Unified Patent Court (2013/C 175/01) – an intergovernmental agreement between EU countries which establishes a court common to the contracting states. Once 13 signatory states, including the UK, France and Germany have ratified the Agreement, the Court will open three months later. On 6 August 2015, Portugal became the 8<sup>th</sup> country to ratify the Agreement. The UK Government has indicated that the UK will ratify the Agreement in early 2016.

**Regulation (EU) No 1257/2012**

This regulation establishes the Unitary Patent.

**Regulation (EU) No 1260/2012**

This regulation makes provisions for transitional arrangements for the Unitary Patent. Both Regulations come into force at the point the Unified Patent Court opens.

IPO, Technical Review and Call for Evidence on Secondary Legislation  
Implementing the Agreement on a Unified Patent Court and EU Regulations  
Establishing the Unitary Patent (5 September 2014).

# CHAPTER 1: HISTORY OF THE PROJECT

## INTRODUCTION

- 1.1 UK law provides a statutory right of redress against unjustified (or groundless) threats to sue for infringement of a patent, trade mark or design right (the threats provisions).<sup>1</sup> In 2012 the Department for Business, Innovation and Skills (BIS) and the Intellectual Property Office (IPO) asked the Law Commission to review those statutory provisions. We published a Consultation Paper in 2013 and a Report in April 2014.<sup>2</sup> The Report made 18 recommendations for reform, 15 of which were accepted by the Government outright on 26 February 2015. The remaining three were accepted in principle.<sup>3</sup> Since then, the Government has asked us to draft a Bill - the Law Commission's Intellectual Property (Unjustified Threats) Bill (the Bill).
- 1.2 This is the second and final report of the project. Its main purpose is to publish and explain the Bill.
- 1.3 This report also makes two new recommendations to apply the law of unjustified threats to the new Unitary Patent.<sup>4</sup> There is currently no single European patent (unlike for trade marks and designs for which an EU-wide right already exists).<sup>5</sup> That is about to change. It is anticipated that by late-2016 or early-2017 a new right, the Unitary Patent, will be introduced together with a new court, the Unified Patent Court. As a consequence, we recommend reforms to adapt the law of groundless threats to that new right.<sup>6</sup>

### Layout of this report

- 1.4 In this Chapter, we give a brief introduction to the current threats provisions. We also identify the main defects with the current law. We then summarise our 2013 Consultation Paper, the responses we received, and the recommendations in our 2014 Report.

<sup>1</sup> The terms "unjustified threats" and "groundless threats" are used interchangeably in practice, case law and publications.

<sup>2</sup> Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212 (the "Consultation Paper") and Patents Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346 (the "2014 Report"). The recommendations that were made in the Report are set out in full at Appendix A.

<sup>3</sup> The statement was made by Minister of State for Culture and the Digital Economy (Mr Edward Vaizey). We have since worked with Government and stakeholders to resolve any outstanding issues.

<sup>4</sup> The Unitary Patent, or to give it its full name, the European patent with unitary effect, is a single patent with uniform effect across European countries. We discuss the new right in greater detail in Chapter 3.

<sup>5</sup> The Community Trade Mark and the Community Design Right.

<sup>6</sup> See those recommendations at Chapter 3, Paragraph 3.42.

- 1.5 Chapter 2 discusses the Government's response to our 2014 Report and subsequent policy developments.
- 1.6 In Chapter 3 we look in detail at the required link between the law of groundless threats and the UK. The current test is set out in a Court of Appeal case, *Best Buy Co Inc v Worldwide Sales Corporation España SL (Best Buy)*.<sup>7</sup> We make two recommendations to adapt this test to the Unitary Patent.
- 1.7 In Chapter 4 we describe and explain the main clauses of the Bill. The appendices that follow set out the current threats provisions, a full list of our recommendations and the draft Bill. Finally, we list the membership of the teams behind two group responses to our 2013 consultation.

### **AN EVOLUTIONARY APPROACH**

- 1.8 In our 2013 Consultation Paper, we sought views on two possible models for reform. The first was to retain but reform the current law. The second was to replace the current provisions altogether with a new tort based on unfair competition.
- 1.9 Although there was some support for the new tort, overall consultees preferred the first approach. It was felt that it would be less disruptive as it would build on familiar elements. The Bill therefore introduces evolutionary reforms to the current law. However, several consultees saw this as an initial step towards broader reform. We hope that further reform can be considered in the future, and we were pleased that the Government did not rule this out in the longer term.

### **THE CURRENT THREATS PROVISIONS**

#### **History**

- 1.10 The modern law in this area started in 1883 when the first threats provisions were introduced for patents.<sup>8</sup> The Government of the day was spurred into action in response to cases where a competitor threatened to sue the customers of a rival in order to drive them away.<sup>9</sup> The classic case, *Halsey v Brotherhood*, showed that the previous law could offer little in the way of protection for the rival who had suffered loss as a consequence.<sup>10</sup> Statutory reform was needed to address the problem.

<sup>7</sup> *Best Buy Co Inc v Worldwide Sales Corporation España SL* [2010] EWHC 1666 (Ch); *Best Buy Co Inc v Worldwide Sales Corp España SL* [2011] EWCA Civ 618

<sup>8</sup> Section 32 of the Patents, Designs and Trade Marks Act 1883.

<sup>9</sup> For example a claimant had to show the threatener acted with malice to succeed in a claim for malicious falsehood and this was very hard to do.

<sup>10</sup> (1881-82) LR 19 Ch 386. See Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, Chapter 2 for more detail.



Both Mr Halsey and Mr Brotherhood manufactured steam engines. Mr Brotherhood, however, had a flourishing business based, in part, on his habit of “systematically threatening” to sue Mr Halsey’s customers for infringing his patents. He never did sue: threats were enough. When the customers received a threat, they would stop buying Mr Halsey’s engines. Mr Halsey sued Mr Brotherhood to try to stop the threats, but he lost. Mr Halsey could not show that Mr Brotherhood had acted with malice, which was what the law required at that time.

- 1.11 Since 1883 the original provisions for patents have been amended and extended to trade marks, designs, Community rights and European Patents (UK). Each of the provisions differs slightly, but they share common elements.

**The common elements**

- 1.12 To establish a claim for groundless threats under the current law, the claimant must show the following:
- (1) There has been a threat to sue for infringement in respect of a non-excluded act.<sup>11</sup>
  - (2) The claimant has been aggrieved by the threats (but need not necessarily be the party who received the threat).<sup>12</sup>
  - (3) The defendant made the threat (but need not be the rights holder).
- 1.13 If the claim is established, the claimant may seek a declaration, injunction and/or damages. However:
- (1) The defendant has a defence if they can show that the acts complained of are, or would be, infringing.
  - (2) Even where the threat is justified on the basis that the acts are infringing, the claimant is still entitled to a remedy if they can show that the intellectual property right in question is invalid.

<sup>11</sup> The statutes exclude threats made in respect of “primary” acts and, for patents, threats made to “primary” actors. See Glossary for an explanation these terms.

<sup>12</sup> A claimant is “aggrieved” if they can show that their commercial interests are likely to be adversely affected in a real as opposed to fanciful way; see *Brain v Ingledew Brown Bennison & Garrett (No 3)* [1997] FSR 511 at 520, by Laddie J.

- 1.14 How the threats provisions work in practice is best illustrated by an example.

A, through its solicitor, sends a letter to a retailer, B, alleging that B is infringing its patent by retailing an automatic can opener that uses a process protected by the patent.

The letter threatens infringement proceedings, but A knows the patent is probably invalid and would never risk exposing this by bringing infringement proceedings.

Despite being a best seller, B stops stocking the can opener and returns all unsold can openers to its supplier, C.

- 1.15 The threats provisions enable B and/or C to bring a groundless threat claim against A and/or A's solicitor. In doing so, B and/or C may seek an injunction to stop the threats being made, damages and/or a declaration that the threats are unjustified. A and A's solicitor have a defence to the claim if they can show that retailing the can opener constitutes an infringement of the patent. However, B or C may still be entitled to a remedy if they can show that the patent is not valid.

#### **A threat**

- 1.16 The threat must be of legal proceedings for the infringement of a patent, trade mark, or design right. There need not be any express mention of the right as it is enough for the threat to be implicit.<sup>13</sup> The test is whether an "ordinary recipient in the position of the claimant" would understand the words communicated to contain a threat to sue.<sup>14</sup>
- 1.17 This broad test means that even the most innocuous communication might be taken to be a threat. For trade marks and design rights, what may legitimately be communicated is restricted to the mere notification of the existence of the right; this will not amount to a threat.<sup>15</sup> For patents, what may be communicated is wider. However, for all the rights it is easy to go beyond what may safely be said, inadvertently, and risk incurring liability. As a consequence, communicating with an alleged infringer can be fraught with difficulty.

<sup>13</sup> See, for example, *Speedcranes Ltd v Thomson* 1972 SC 324.

<sup>14</sup> *L'Oreal (UK) Ltd v Johnson & Johnson* [2000] FSR 686 at [12], by Lightman J.

<sup>15</sup> Trade Marks Act 1994 (TMA 1994), s 21(4); CTMR 2006, reg 6; CPDA 1988, s 253(4); Registered Designs Act 1949 (RDA 1949), s 26(3) and CDR, reg 2(6).

- 1.18 In *Best Buy Co Inc v Worldwide Sales Corp España SL* (“*Best Buy*”), a case concerning the Community trade mark, infringement proceedings could have been brought in foreign as well as UK courts.<sup>16</sup> The court was asked to determine whether the UK threats provisions should apply in such circumstances. The court looked at the required link between the UK and the threat. It held that, in such cases, the test was whether a reasonable person in the position of a recipient would have understood the threat to mean that infringement proceedings would be brought *in a UK court*.<sup>17</sup> Otherwise, the threats provisions will not be engaged. We consider this test in more detail in Chapter 3.

## THE CASE FOR REFORM

### Complex and inconsistent law

- 1.19 Although the provisions which apply to patents, trade marks and designs have much in common, many inconsistencies have crept in over time. As a consequence, they can be difficult to follow and apply. Only those familiar with each particular provision can be confident when dealing with them; for those less knowledgeable the provisions set traps. This can cause disruption and expense for businesses. Sometimes, the risk of facing costly litigation may prevent a small enterprise from asserting its intellectual property rights where these have been infringed by a larger competitor with greater resources.

### The “Cavity Trays” problem

- 1.20 In 2004, changes were made for patents, the most significant of which addressed a problem which arose in *Cavity Trays Ltd v RMC Panel Products Ltd* (“*Cavity Trays*”).<sup>18</sup> Prior to 2004, it was permissible to make a threat in patent cases, provided it referred only to making or importing a product or using a process (primary acts). Threats referring to primary acts were effectively excluded from the protection of the threats provisions. A threat referring to other secondary acts, such as selling, would still be actionable. However, this did not reflect reality, which was that a manufacturer or an importer will often pass the product down the supply chain. These “primary actors” would often act not only as manufacturer or importer but also as distributor. A communication might refer to excluded primary acts, but also to some other, secondary, act such as selling.
- 1.21 The court in *Cavity Trays* construed the exclusion of threats that refer to primary acts very narrowly. It held that if a threat to a manufacturer or importer made any mention of a secondary act, the threat would be actionable.

<sup>16</sup> [2011] EWCA Civ 618, [2011] FSR 30.

<sup>17</sup> That is, a court that is part of the UK judicial system. The threat need not be understood to mean exclusively in a UK court. See [2011] EWCA Civ 618 at [24] by Neuberger MR.

<sup>18</sup> [1996] RPC 361.

- 1.22 The 2004 reforms for patents dealt with this by introducing a new exception. This focused on the person to whom the threat was made, not what the threats were about. Under the 2004 reforms, threats proceedings could not be brought in respect of a patent where the threat was made to a “primary actor” (any person who had carried out a primary act) no matter what other acts might be referred to in the threat. This allowed a rights holder to warn off those committing the most commercially damaging acts, without risking liability for making threats.
- 1.23 However, although the Government of the day indicated that this change would be extended to trade marks and designs “at the earliest opportunity” this has not yet been done, and for those rights the problem remains.<sup>19</sup>

#### **Deterring communication**

- 1.24 The law is unclear about what information may pass between disputing parties without incurring liability for making threats. The Civil Procedure Rules oblige disputing parties to enter into a dialogue to narrow down the issues between them and, where possible, avoid litigation altogether. However, the spectre of the threats provisions is ever present whenever the parties try to discuss their differences. This has fostered a “sue now – talk later” culture because once infringement proceedings are issued, the provisions no longer apply.
- 1.25 The risk of threats proceedings is increased because the test for whether something is a threat is viewed from the recipient’s perspective. Threats may be express or implied, which leaves open the possibility that the recipient of the most innocuous communication may understand it to be a threat to sue. The current law provides that mere notification of the existence of a trade mark, or a right in a design, will not amount to a threat.<sup>20</sup> For patents, a person may give factual information about a patent and this will not be a threat. However, there is no guidance as to what the law means in practice.
- 1.26 Professionals asked for a “safe harbour”: that is, they wanted clear guidance about what could be communicated without incurring liability for groundless threats.

<sup>19</sup> Consultation on the proposed Patents Act (Amendment) Bill: Summary of Responses and the Government’s conclusions (2003), Paragraph 142.

<sup>20</sup> Trade Marks Act 1994, s. 21(4); Copyright, Designs and Patents Act 1988, s. 253(4); Registered Designs Act 1949, s. 26(3) and Community Design Right Regulations 2006, reg 2(6).

### **Professional adviser liability for threats**

- 1.27 A threat of infringement proceedings may be made by any person whether or not they are the proprietor of, or have some other interest in, the intellectual property right.<sup>21</sup> The upshot is that a legal adviser or attorney may be sued in their own right for making threats, even when acting on their client's instructions. For example, in *Brain v Ingledew Brown Bennison & Garrett (A Firm) and another*, the first defendant was a firm of solicitors who had acted for the second defendant, their client.<sup>22</sup>
- 1.28 The risk of liability can be used tactically against an adviser to drive a wedge between adviser and client. The adviser may be reluctant to act or may have to seek an indemnity from the client in case they are sued. This adds complexity, stress and drives up litigation costs. At worst, it may deprive a client of expert assistance at a time when they need it most.

### **The Unitary Patent and the Unified Patent Court**

- 1.29 In the 2014 Report we flagged up an issue about how the threats provisions would apply to a new patent due to be introduced in the near future.<sup>23</sup> It now appears likely that the Unitary Patent (UP) and the Unified Patent Court (UPC) (which will hear disputes in respect of the new right) will become a reality by 2017.<sup>24</sup> In *Best Buy*, it was held that, for the purposes of UK unjustified threats law, a threat must be understood as a threat to sue in a UK court.<sup>25</sup> This requirement cannot be satisfied for patents within the exclusive jurisdiction of the UPC because, although partly physically located in the UK, it is not in legal terms a UK court.

### **THE EFFECT IN PRACTICE**

- 1.30 These defects, taken together, add to legal costs and disrupt commercial activity. Under the current law, advisers are required to spend time devising complex strategies for how to draft correspondence and discuss those strategies with their clients. This increases the cost of pre-action legal advice.

<sup>21</sup> Patents Act 1977, s 70(1); Trade Marks Act 1994, s 21(1); Community Trade Mark Regulations 2006, reg 6(1); Copyright, Designs and Patents Act 1988, s 253(1); Registered Designs Act 1949, s 26(1) and Community Design Right Regulations 2005, reg 2(1).

<sup>22</sup> There are no less than four reports spanning a two-year period. [1995] FSR 552; [1996] FSR 341; [1997] FSR 271 and [1997] FSR 511.

<sup>23</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, Chapter 8 and see Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, paras 5.39 to 5.49.

<sup>24</sup> The Unified Patent Court Agreement, made between EU countries will establish the Unified Patent Court. The Court will open three months after the Agreement has been ratified by 13 signatory countries. On 6 August 2015, Portugal became the 8<sup>th</sup> country to ratify the Agreement. The UK Government has indicated that the UK will ratify the Agreement in early 2016.

<sup>25</sup> *Best Buy Co Inc v Worldwide Sales Corp España SL* [2011] EWCA Civ 618 at [24] by Neuberger MR.

- 1.31 The current law also drives cases to court. Although the Civil Procedure Rules are designed to encourage disputing parties to resolve their differences between themselves, groundless threats law encourages the parties to sue. This happens in two ways. First, the rights holder may decide to issue a “defensive writ” to avoid a potential groundless threats action. Alternatively the recipient may issue an action for groundless threats rather than attempting to resolve the dispute.

**Problems for small and medium businesses**

- 1.32 These problems are particularly acute for small business rights holders, who often spend time with their professional advisers discussing strategy over what type of letter should be sent and by whom. This time must be paid for. Small businesses are also particularly disadvantaged in cases where professional advisers ask for an indemnity before issuing letters concerning infringement. Businesses that are unable to provide those indemnities may end up writing letters in their own name, which are less likely to be taken seriously by opponents.
- 1.33 A 2010 study looked at the experiences of small businesses engaged in intellectual property (IP) disputes.<sup>26</sup> The study found that most disputes are resolved by solicitors’ letters.<sup>27</sup> The authors comment:

IP disputes rarely end up in court, yet IP disputes are relatively common. Some smaller firms interviewed found that they could protect their IP simply and at low cost. At the other extreme, some firms faced a whirlpool of litigation costs when enforcing their rights, in addition to the risk of losing the IPRs and even the company itself. What was surprising was that there was little evidence of a middle way. IP enforcement appears to be either a small scale, easily resolved dispute, or an expensive, time-consuming minefield.<sup>28</sup>

- 1.34 The 2010 study did not look at the threats provisions specifically, but the problems with the law of groundless threats can be understood against this background. Deficiencies in the current law can catapult businesses from low cost resolution through advisers into the “whirlpool of litigation”, described by the study. The risk that an initial letter may be met with a threats action casts a shadow whenever a solicitor or attorney writes a letter to a potential infringer.

<sup>26</sup> Greenhalgh, Phillips, Pitkethly, Rogers and Tomalin, Intellectual Property Enforcement in Smaller UK Firms (October 2010).

<sup>27</sup> It is likely that this also includes letters from patent and trade mark attorneys.

<sup>28</sup> Greenhalgh, Phillips, Pitkethly, Rogers and Tomalin, Intellectual Property Enforcement in Smaller UK Firms (October 2010) at page 2.

## THE 2013 CONSULTATION

- 1.35 In our Consultation Paper we sought views on two possible models for reform.<sup>29</sup> The first was to retain but reform the current law. The second was to replace the current provisions with a new tort based on unfair competition.
- 1.36 We examined the benefits and drawbacks of each approach. The current threats provisions have evolved over more than a hundred years and, while not perfect, are reasonably well understood. Evolutionary reform retains much that was familiar and is less disruptive a change. It is also capable of being enacted more quickly (wider reform would require a fresh consultation exercise). However, it would not address the criticism that the protection of the threats provisions is too narrow in that it does not extend to all IP rights or all possible abuses - for example, where allegations rather than threats are used to damage a trade rival.
- 1.37 A more radical approach would bring the UK more into line with how threats are dealt with in mainland Europe; most civil law countries deal with the problem of groundless threats as an aspect of the general law of tort or through unfair competition law. Where there is a specific tort, this is commonly based on articles of the Paris Convention for the Protection of Industrial Property.<sup>30</sup> Signatory states are required to offer effective protection against unfair competition, and specific acts are prohibited. One such act is making false allegations in the course of trade in order to discredit a competitor. It would also be possible to extend the protection to other IP rights. However, change on this scale would bring disruption and uncertainty in its wake and this in turn would lead to increased costs.

## Responses

- 1.38 In total we received 21 responses to our consultation exercise. These came from a wide range of consultees:

Type of consultee/representative body	Number of responses
Solicitor or barrister (individual responses)	4
Judiciary (includes group responses)	3
Patent or trade mark attorney (individual responses)	3
Rights holder	2
Trade, professional or industry body	9

<sup>29</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212.

<sup>30</sup> Articles 10*bis* and 10*ter*.

1.39 A large proportion of the responses came from trade, professional or industry bodies.<sup>31</sup> We identify those who responded below:

Angela Fox	British Brands Group
British Broadcasting Corporation (BBC)	Chartered Institute of Patent Attorneys (CIPA)
City of London Law Society (CLLS)	George Hamer
Haseltine Lake LLP	Herbert Smith Freehills LLP
Institute of Trademark Attorneys (ITMA)	Intellectual Property Lawyers Association (IPLA) <sup>32</sup>
IP Federation	Judges of the Court of Session
Law Society of England and Wales Intellectual Property Working Party (the IP Working Party)	Licensing Executives Society (Britain and Ireland) (LES)
Lord Justice Kitchin, Lord Justice Floyd, Mr Justice Arnold and Mr Justice Birss (the Patent Judges)	Marques
Qualcomm	Reddie & Grose LLP
Rt Hon. Professor Sir Robin Jacob	Scott & York Intellectual Property Law
Wedlake Bell LLP	

### CONSULTEES' COMMENTS ON THE REFORMS

1.40 We asked whether the protection against unjustified threats should be retained and, if so, reformed.<sup>33</sup> Over three quarters of those who responded agreed the protection should continue. For the British Brands Group this was to provide redress against "over zealous" enforcement of rights, particularly where the aim was to disrupt the supply chain.

<sup>31</sup> Two of the group responses provided a breakdown of members who were involved in composing the response and we list the members at Appendix D.

<sup>32</sup> Both the IP Working Party and CLLS concurred with the response from IPLA; any issues on which they differed were noted separately in their responses.

<sup>33</sup> The Report, Chapter 7, Paragraph 7.92, Questions 3 and 5.



### **The need for reform**

1.41 Consultees, even those who preferred that the provisions were abolished, were unanimous that reform was necessary. The Patent Judges, for example, thought it “clear that the current law is not satisfactory for the reasons given in the Consultation Paper” a view that was echoed by many others.<sup>34</sup>

1.42 Stakeholders agreed that the problems fell disproportionately on small businesses. A joint response from several groups of IP lawyers commented:

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.<sup>35</sup>

1.43 The Chartered Institute of Patent Attorneys also thought that the current law “distorts the field for smaller players”. A solicitor’s firm commented that groundless threats actions could be used as a tool by aggressive litigators to “rack up expense and deter small rights holders from pursuing infringement of their rights”.

### **Evolutionary or wider reform?**

1.44 We sought views on the two different models for reform discussed above.<sup>36</sup> By a large majority, consultees preferred the evolutionary model. The Law Society Intellectual Property Working Party and the Intellectual Property Lawyers Association favoured an evolutionary approach because “at least it has the benefit of greater certainty”. Others, such as Qualcomm and Heseltine Lake LLP did not consider that the current law was so flawed as to merit complete replacement. Scott & York Intellectual Property Law thought that a new tort was probably “overkill” and that it would in any event delay implementing much-needed reform, “which would not be desirable”.

1.45 One member of the working group, Professor Sir Robin Jacob, has throughout the project voiced strong opposition to the evolutionary model of reform. Nor did he support the recommendation that a professional adviser should not face personal liability when acting in a professional capacity and on instructions. Instead he thought that the risk of personal liability is “a healthy restraint on cowboy (and other) legal advisers – of whom there are lots out there”.

<sup>34</sup> Lord Justice Kitchin, Lord Justice Floyd, Mr Justice Arnold and Mr Justice Birss.

<sup>35</sup> Response from the IP Working party, CLLS and IPLA.

<sup>36</sup> See para 1.35 above and Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, Chapter 8.

- 1.46 Professor Sir Robin Jacob's full consultation response is available on our website, as is every other response.<sup>37</sup> He has also asked that we publish the following comments, which we are happy to do.

I consider [the Bill] extraordinarily elaborate and complicated. It is not the right solution and in its present form should be dropped. I remain of the opinion that something much simpler – along the nature of “abusive communication” would be enough. Tinkering with this will serve no useful purpose. There is no hurry – threats of IP infringement proceedings are far from top of the problems in the IP world. I am saying this now so no one ever thinks I thought it was a good idea.

- 1.47 We make two points in response. First, we were clear in both the Consultation Paper and the Report that we think that an evolutionary approach to reform is not the complete answer and that serious consideration should be given to the introduction of a new tort of false allegations. We are heartened that a new tort has not been completely ruled out by Government. In its written response the Government considered that a new tort “deserves more consideration in the longer term”.

- 1.48 Secondly, we cannot agree with the Professor that there is no hurry. There are widespread complaints that the current law adds unnecessary expense, drives cases to court and disadvantages small rights holders. The introduction of the long awaited Unitary Patent also increases the need for something to be done. The stark choice is whether protection against unjustified threats should apply to Unitary Patents or not. We think, without question, that it should. Yet the threats provisions cannot apply to Unitary Patents in their current form. This reform, viewed by some consultees as a first step to wider reform, is needed sooner rather than later

#### **OUR 2014 REPORT**

- 1.49 In our April 2014 Report we published 18 recommendations for the reform of the law of unjustified threats to sue for infringement.<sup>38</sup>

#### **Objectives of the reform**

- 1.50 The reforms have four broad objectives:
- (1) To produce a clear, consistent and equitable law of unjustified threats, in particular by introducing consistency between the provisions for patents, trade marks and designs.
  - (2) To strike an appropriate balance which allows rights holders to protect their highly valuable intellectual property assets but not to misuse threats in order to distort competition or stifle innovation.

<sup>37</sup> <http://www.lawcom.gov.uk/project/patents-trade-marks-and-design-rights-groundless-threats/>

<sup>38</sup> Patents, Trade Marks and Design Rights: Groundless Threats (April 2014) Law Com No 346.

- (3) To distinguish clearly those threats made legitimately and those used to damage a commercial rival; and
- (4) To support disputing parties in reaching a negotiated settlement, thereby avoiding litigation.

1.51 We summarise our main recommendations below. However, a full list of recommendations can be found at Appendix B.

**No liability for threats made to primary actors**

1.52 The most significant inconsistency in the current law is that the “*Cavity Trays*” problem, described above at 1.20, has been resolved for patents but not for trade marks and designs. For those rights, only threats that are strictly limited to “primary acts” escape liability for making threats. For trade marks, those acts are: the application of a mark to goods or packaging, and the importation of such goods or the supply of services under the mark.<sup>39</sup> For designs, the specified acts are manufacture and importation.<sup>40</sup>

1.53 Consultees supported the extension of the 2004 reform for patents. Under the 2004 reforms, a threat made to a person who had carried out a primary act (the “primary actor”) would not be actionable even if the threat also referred to other, secondary, acts. We recommended that the law for trade marks and designs should be reformed to bring it into line with patents. Consultees also agreed with the proposal that the primary actor exclusion should be extended to exclude threats made to those who intend to carry out primary acts.<sup>41</sup>

1.54 These recommendations are reflected in the Bill. For trade marks, the Bill also implements our recommendation that a threat should not be actionable if it is made to the person who applied the mark to goods or their packaging, or to the person who commissioned that to be done. This was unanimously supported by all who responded.<sup>42</sup>

<sup>39</sup> Trade Marks Act 1994, s 21(1).

<sup>40</sup> Registered Designs Act 1949, s 26(2A); Copyright, Designs and Patents Act 1988, s 253(3). It should be noted that the 1988 Act draws a distinction between the primary and secondary infringement of design rights, ss 226 and 227 respectively. The only acts that are “primary” for unjustified threats purposes are making and importing.

<sup>41</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (April 2014) Law Com No 346, Chapter 5. See also Chapter 10, recommendation 10.4.

<sup>42</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (April 2014) Law Com No 346, Chapter 5 at 5.32 and following, and see Chapter 10, recommendation 10.5(2).

### **Communication with secondary infringers**

- 1.55 Under the current law, communication with a secondary actor regarding matters of infringement is an exercise fraught with difficulty. This is so even in the case of legitimate communications. The current law allows some limited communication but it is restrictive and unclear. The consultation proposal - that it should be possible to communicate with secondary actors in defined circumstances - was accepted by consultees in principle. However, consultees questioned the methodology of how this could be achieved.
- 1.56 Consultees agreed on five general principles:
- (1) The current provisions, where they provide that certain kinds of communication will not amount to a threat, are unsatisfactory;
  - (2) There is a need for a safe harbour whereby communication can take place between a rights holder and secondary infringers;
  - (3) There is a lack of guidance as to when a communication will not be treated as an implied threat;
  - (4) It is unclear what kinds of information can be safely communicated; and
  - (5) Any means put in place for safe communication must be flexible and responsive but must have identifiable boundaries.
- 1.57 The Bill contains measures creating a new “safe harbour” for communications with secondary infringers. This does not apply to express threats, but allows communication for permitted purposes, even if a recipient might interpret the communication as an implied threat. These measures have taken into account consultees’ comments and those of other stakeholders and the Government.<sup>43</sup> In the next Chapter we explain in more detail how this has been achieved.

### **Professional adviser liability for threats**

- 1.58 The proposal that a lawyer, or registered patent or trade mark attorney, should not face liability for making threats where they act in their professional capacity and on client’s instructions was widely supported. Comments made by consultees and stakeholders confirmed our provisional view that the risk of liability can be used tactically by disputing parties and as a means to gain access to a “deep pocket” in cases involving an impecunious threatener. The Bill will carry into effect our recommendation that advisers should be protected from liability provided certain conditions are satisfied.<sup>44</sup>

<sup>43</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (April 2014) Law Com No 346, Chapter 6 and see Chapter 10, recommendations 10.6 to 10.15.

<sup>44</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (April 2014) Law Com No 346, Chapter 7, paras 7.4 to 7.14 and see Chapter 10, recommendation 10.17.

### **Unitary Patents**

- 1.59 We have explained above the major changes that will result from the introduction of the Unitary Patent and the establishment of the Unified Patent Court. The Bill makes changes to the law in order that the threats provisions can apply to the Unitary Patent when it is introduced. We deal with these reforms in detail in Chapter 4.

### **THANKS AND ACKNOWLEDGEMENTS**

- 1.60 We extend our warm thanks to David Hertzell who was the Commissioner with responsibility for this project since it began and until the end of his tenure in December 2014. David's involvement continues as consultant to the project.
- 1.61 We have also been greatly assisted throughout this project by the Scottish Law Commission and in particular Professor Hector MacQueen who has helped us understand the Scottish perspective and to engage with Scottish stakeholders. They include the Law Society of Scotland, the Faculty of Advocates, and a number of judges of the Court of Session.
- 1.62 We have received invaluable help from our working group. We are grateful for their comments and advice. At various stages during the project the membership has included Mr Justice Birss; Fiona Clark; Clive Davenport; Michael Edenborough QC; Penny Gilbert; HHJ Hacon; Professor Sir Robin Jacob; Alan Johnson; Mr Justice Morgan; Anil Raja; Vicki Salmon; Tom Scourfield and Imogen Wiseman.
- 1.63 Finally, we are grateful to the Intellectual Property Office for their assistance, advice and support throughout this project.

## **CHAPTER 2: THE GOVERNMENT'S RESPONSE TO THE RECOMMENDATIONS**

### **INTRODUCTION**

- 2.1 In this Chapter we examine the Government's response to our recommendations. We also explain how we have responded to comments made in respect of three of our recommendations.
- 2.2 In the following Chapter we consider the need for an appropriate link between an unjustified threat and the UK. This will become a more pressing need with the introduction of the Unitary Patent, possibly by late-2016 or early-2017.

### **THE GOVERNMENT'S RESPONSE**

- 2.3 The Government accepted 15 of our recommendations outright, and three in principle but with comments.<sup>1</sup> The three recommendations are:
- (1) Communications should be excluded from the groundless threats provisions if they are made for a legitimate commercial purpose, and the information given is necessary for that purpose.<sup>2</sup>
  - (2) It should be a defence for the person making the threat to show that they have used reasonable endeavours to locate, without success, the person who made or imported the product. To take advantage of this defence, the person making the threat should inform the person threatened of the endeavours they have used.<sup>3</sup>
  - (3) A lawyer, registered patent attorney or registered trade mark attorney should not be liable for making threats where they have acted in their professional capacity and on instructions from their client.<sup>4</sup>

### **LEGITIMATE COMMERCIAL PURPOSE**

- 2.4 This recommendation excluded from liability any communications made for a "legitimate commercial purpose". It was one of six recommendations that established a "safe harbour" for communication between disputing parties. The recommendations were based in part on proposals made in the Consultation Paper but also reflected concerns raised in the responses to our consultation exercise.

<sup>1</sup> Made in a written statement on 26 February 2015 by Minister of State for Culture and the Digital Economy (Mr Edward Vaizey).

<sup>2</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, Chapter 10, Paragraph 10.6.

<sup>3</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, Chapter 10, Paragraph 10.14 and 10.15.

<sup>4</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, Chapter 10, Paragraph 10.17.

### ***The proposals***

- 2.5 In the Consultation Paper we explained that the current provisions already identify circumstances where a rights holder may safely communicate with a secondary infringer without incurring liability for threats.<sup>5</sup> For example, a person may be notified of the existence of a right and this will not be a threat. Also, for patents only, enquiries and assertions may be made to find out if there has been an infringement. We proposed that the existing protections from liability should be retained and applied consistently across all the rights.<sup>6</sup> However, we also recognised that by allowing such communication there would be a risk that it would be used as an opportunity to make disguised threats.
- 2.6 As a check against potential abuse, we proposed that there should be a requirement that the communicator acted in good faith whenever a permitted approach was made.
- 2.7 Although many consultees welcomed the idea of a good faith requirement, a few were not persuaded that it would work in practice. Some thought the reform created something that was too inflexible to be of any great use, while others thought that a new good faith requirement would introduce too much uncertainty into the law.
- 2.8 There were common themes running through consultees' responses. In particular, consultees supported the need for a "safe harbour" that would allow rights holders to approach secondary infringers where it was "legitimate" to do so. Consultees generally believed that communication should be entered into for an identifiable commercial purpose and it was the legitimacy of that purpose that was the central focus for many. Consultees also recognised that there had to be some check on the misuse of permitted communications. Good faith was too amorphous a concept, but a belief in the truth of what was communicated was a simple requirement that was easily understood.

### **The Government's comments**

- 2.9 The Government wished "to reflect further on whether defining excluded communications as ones that are made for a 'legitimate commercial purpose' is the right statutory definition, or whether it carries the risk of being interpreted too widely". The Government was concerned that "an overly-wide interpretation could potentially remove any effective protection for secondary infringers...".

<sup>5</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, Chapter 8, Paragraph 8.41.

<sup>6</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, Chapter 8, Paragraph 8.77, Question 24.

- 2.10 We put the Government's concerns to our Working Group. Responses described the concept of a "legitimate commercial purpose" as being "entirely woolly"; "uncertain and perhaps best avoided"; "potentially of very wide scope" and "ambiguous and concerning". It was also pointed out that humans can be creative when it comes to the interpretation of rules and that, in any event, all threatening letters are technically made for a commercial purpose. One member pointed out that "legitimate" meant little more than lawful.
- 2.11 It was noted that a communication could be made for many purposes, some of them legitimate and some not. What mattered was that the objective or effect of the communication should be legitimate. An example was where it was made to dispel an innocence defence.<sup>7</sup> Provided the communication was "exclusively" or "solely" made for that purpose it should be permitted. Anything that went beyond would be an abuse. Guidance and examples of what was or was not permitted would also lessen the chances of abuse. Our permitted communication recommendations developed out of these and other comments.

**Permitted communications - section 70B of the Bill and equivalent sections**

- 2.12 In the end, we settled on the concept of a "permitted communication". In the Bill, section 70(A) for patents (and the equivalent sections for the other rights) provides that non-express threats are not actionable if they are contained in a permitted communication.<sup>8</sup>
- 2.13 Section 70B(1) (and equivalents) then defines a permitted communication. It sets out the three conditions. A communication containing a threat is permitted if:
- (1) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose,
  - (2) all of the information that relates to the threat is information that is necessary for that purpose; and
  - (3) the person making the communication reasonably believes it is true.

<sup>7</sup> This is a partial defence whereby damages for infringement may not be awarded where, at the time of the infringement, the defendant was unaware and had no reasonable grounds for supposing that the right existed; see for example PA 1977, s 62.

<sup>8</sup> As we explain in Chapter 4, the Bill contains separate sets of provisions for patents, trade marks and designs. However, each set of provisions is similar in all material respects. Therefore, the first set of provisions, for patents, is used as an example to explain the operation of the Bill.



- 2.14 Section 70B(2), identifies three “permitted purposes”. These are to give notice that the intellectual property right exists; to discover if the right is being infringed and by whom, and to give notice that a person has an interest in the right in circumstances where some other cause of action is dependant on another person’s awareness of that fact. As guidance, subsection (4) sets out what *may not* be treated as a “permitted purpose”. Subsection (5) provides further guidance with examples of information that may be regarded as “necessary” for a “permitted purpose”.
- 2.15 We expect that as practice and law develop and change over time it may be necessary for other purposes to be permitted. In order that there is sufficient flexibility for this to happen, there is a power at subsection (3) for the court to treat any other purpose as permitted. The power may be exercised after having had regard to the existing permitted purposes and where to do so is necessary in the interests of justice. We consider that this power will be used sparingly.
- 2.16 In Chapter 3 we explain more about permitted communications in the context of the framework of the Bill.

#### **REASONABLE OR BEST ENDEAVOURS TO FIND THE PRIMARY ACTOR**

- 2.17 Under the current law, where a secondary infringer is threatened, the threatener has a defence if it can show that the primary actor could not be found despite it using its best endeavours to do so.<sup>9</sup> The defence was introduced for patents only in 2004 and we recommended that it should apply equally to patents, trade marks and designs, albeit with one change. We recommended that instead of having to use best endeavours the threatener should have used “reasonable endeavours” to locate the primary actor.<sup>10</sup> The Government was concerned that this would not introduce a test that was objectively clearer, fairer and better understood than the existing test.

<sup>9</sup> Patents Act 1977, s 70(6).

<sup>10</sup> See Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, Chapter 8, Paragraph 8.82, Question 26(1).

- 2.18 During consultation we had proposed that the current “best endeavours” test should be replaced by a requirement that the threatener had taken “all practical steps” to locate the primary actor. There was insufficient consultee support for this change. However, the existing “best endeavours” requirement was also unpopular. There have been concerns about the “best endeavours” requirement since 2004 when it was first introduced. Consultees who responded to the 2002 consultation exercise which led to the introduction of the new defence, argued that the threatener should be required to have made “reasonable endeavours”. It was said that the term “best endeavours” had a special meaning in commercial contract law, which may require measures which are disproportionately expensive.<sup>11</sup> It was uncertain how this would apply to threats law.
- 2.19 Similar arguments were put to us by consultees during our 2013 consultation, however this time with the backing of nearly 10 years’ practical experience of the new defence. We found that following introduction of the “best endeavours” requirement there remained much uncertainty about how to comply with it in practical terms. Stakeholders’ understanding as to what was required varied greatly. One stakeholder, for example, thought it was enough to send a recorded delivery letter to the last known address of the primary actor, while another thought they had to use a private detective. We also found, however, that regardless what methods had been used there had been no reported case where what had been done had been challenged for being insufficient. We felt that the language was unhelpful and unsuited to modern times, in particular the word “endeavours”.
- 2.20 We have developed a new formulation to take account of these concerns. The defence is available where the threatener has taken “all reasonable steps” to find the primary actor. Where there is a range of “reasonable steps” open to the threatener, it is not enough for the threatener to have taken one or some without success. All reasonable steps must be taken to reveal the primary actor. It is only where this fails that is it open to the threatener to threaten a secondary infringer.

#### **PROFESSIONAL ADVISER LIABILITY**

- 2.21 The Government made three comments on our recommendation that a professional adviser, acting in a professional capacity and on a client’s instructions, should not face personal liability for making threats. First, the Government wanted to ensure that the exemption only applied when the communication clearly identifies the client. We think that this is sensible and having spoken to stakeholders we have been assured that this is usual practice.

<sup>11</sup> The Law Society Intellectual Property Working Party, in their response to the Consultation Paper, said the following: “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.”

- 2.22 Second, the Government considered it important that the legislation should leave no doubt as to the liability of the client on whose behalf the adviser is acting. We are happy for that to be made clear and the professional advisers section states that the liability of the client is unaffected.
- 2.23 Finally, the Government considered that the burden of proof should fall on the adviser to show that they were acting on instructions and are exempt from the threats provisions. We think that this will always be the case. The adviser will assert that fact and, as a matter of evidential principle, will then have to prove it to the court's satisfaction. However, we see no good reason not to make that clear if it disposes of any doubt. The professional advisers section in the Bill expressly says that it is for the adviser asserting the defence to show that at the time of making the communication they had been instructed to make it.
- 2.24 Communication between the adviser and client is privileged in that it cannot be revealed to a third party unless the client consents or "waives" privilege. Some stakeholders were concerned that the requirement on the adviser to show that they were acting on instructions might cut across this principle. They were worried that a client might refuse to waive privilege or that details of confidential advice or strategy would have to be revealed. We think these fears are misplaced. All the adviser needs to show is that they were instructed to make the communication i.e. to send it. They do not need to show that they were instructed to make a threat.

# CHAPTER 3: THE LINK WITH THE UK

## INTRODUCTION

- 3.1 In the 2014 Report, we highlighted a small but difficult issue: the required link between a threats action and the UK where it is possible to sue in either the UK courts or in the courts of other states. The issue arises in the current law for Community trade marks and designs and for European Patents (UK). It will become increasingly relevant in the future once the Unitary Patent and the Unified Patent Court (the UPC) have been introduced.
- 3.2 The issue arises out of the current formulation of the test for whether a communication contains a threat to sue for infringement. This is found in the case of *Best Buy Co Inc v Worldwide Sales Corporation España SL (Best Buy)*.<sup>1</sup> The test for a threat is in two parts. The first is whether the communication “would convey to a reasonable man that some person has trade mark rights and intends to enforce them against another”.<sup>2</sup> The second part is whether the threat would be understood by a reasonable person in the position of a recipient “to be a threat to bring proceedings in the courts of the United Kingdom”.<sup>3</sup> This presents difficulties for the Unitary Patent (UP) which will, in certain circumstances, come within the jurisdiction of the Unified Patent Court (UPC). As we explain further below, the UPC will be partly physically located in the UK, but it will not in legal terms be a UK court.<sup>4</sup>

## FROM EUROPEAN PATENT TO UNITARY PATENT

### The European Patent

- 3.3 The European Patent (EP) is a bundle of national rights which are applied for through a single point of entry. If granted by the European Patent Office, that single application results in national patents in (if desired) all the signatory states to the European Patent Convention. The applicant can choose to register their patent in some or all of these states. An EP that designates the UK (an EP(UK)) is, from the date of grant, treated as if it were a national patent.<sup>5</sup> Where there has been an infringement, an action must be brought in every single relevant national court. National law will govern the extent of the patent holder’s rights, available remedies and procedure. Therefore, where an EP(UK) has been infringed in the UK, proceedings must be brought in the UK according to UK law.

<sup>1</sup> *Best Buy Co Inc v Worldwide Sales Corporation España SL* [2010] EWHC 1666 (Ch) *Best Buy Co Inc v Worldwide Sales Corp España SL* [2011] EWCA Civ 618

<sup>2</sup> See *L’Oréal (UK) Ltd v Johnson & Johnson*, [2000] FSR 686.

<sup>3</sup> [2010] EWHC 1666 (Ch) at [33].

<sup>4</sup> On 16 September 2015, Baroness Neville-Rolfe, Minister for Intellectual Property, presented Aldgate Towers as the site of the UK’s central division and local division hosted in London.

<sup>5</sup> PA 1977, s 77(1), the patent is referred to here as an EP(UK).

### **The Unitary Patent and the Unified Patent Court**

- 3.4 The Unitary Patent (UP) represents the last piece of the jigsaw of EU-wide patent rights.<sup>6</sup> The new patent will be a unitary right which will allow rights holders to protect their invention across participating states under a single patent. Disputes in respect of the new rights will be dealt with under a court system common to the participating states – the UPC. The UPC will have exclusive jurisdiction over some types of actions concerning UPs and supplementary protection certificates (SPCs) based on UPs. It will also have concurrent jurisdiction with national courts over some actions concerning EP bundle rights and SPCs based on those EPs.
- 3.5 The UPC will be a single court that is common to contracting member states with a single appeal body, its own judiciary, rules of procedure and sources of law.<sup>7</sup> Judgments of the UPC are directly enforceable in contracting states.

### **THE CURRENT UK LINK**

- 3.6 Below we consider the current law on the need for a link between a groundless threat and the UK. As we explain, it is not an issue for UK national rights but it has given rise to case law for Community rights.

### **UK national rights**

- 3.7 The unjustified threats provisions are part of the UK domestic law and have no equivalent in mainland Europe where threats to sue for infringement are dealt with as part of the general law of tort or as a form of unfair competition.
- 3.8 The provisions apply to four national rights: patents, trade marks, registered design right and designs. All four rights have a limited geographical extent which is the UK (England and Wales, Scotland and Northern Ireland). The UK is defined as including territorial waters and (in some circumstances) the continental shelf.<sup>8</sup>

<sup>6</sup> The official title is European patent with unitary effect, we use Unitary Patent throughout this document.

<sup>7</sup> Art 1 of the UPCA establishes the Courts. Art 24 requires the court to base its decisions on Union law; the UPC Agreement; the European Patent Convention, other international agreements applicable to patents and binding on contracting states and national law.

<sup>8</sup> See, the Patents Act 1977 s 132; Trade Marks Act 1994 ss, 107 108; and Registered Designs Act 1949 ss 47, 47A which extend these provisions to the Isle of Man. See also the Copyright, Designs and Patents Act 1988 section 255(2) under which the threats provisions for unregistered designs may be extended to the Isle of Man, any of the Channel Islands or “any colony” by Order in Council.

- 3.9 Proceedings for the infringement of a national right can only be brought before the UK courts and can only concern alleged infringements in the UK.<sup>9</sup> As there is a clear link between the UK and a threat of proceedings for infringement of a UK national right, the courts will hear groundless threats actions even where the threat is made elsewhere.<sup>10</sup> For example, in *Unilever Plc v Proctor & Gamble*, the relevant threat was made in Germany and no suggestion was made that it should not be actionable.<sup>11</sup>

### **Community trade marks and designs and European Patents (UK)**

- 3.10 The threats provisions also apply to Community trade marks, designs and the European Patent (UK).<sup>12</sup> For these rights the situation is less straightforward. The right to bring an action for groundless threats is a purely domestic right. Yet a threat to bring infringement proceedings concerning a Community right or European Patent (UK) can relate to acts of alleged infringement throughout the EU and the threat could potentially be carried out in a variety of courts. This raises issues over whether there must be some link between the groundless threat and the UK.
- 3.11 Under current law, UK courts have jurisdiction to hear cases relating to national patents and EP(UK). In the same way, the courts of other designated states have jurisdiction to hear appropriate cases. A rights holder wishing to bring infringement proceedings over a Community trade mark or design may choose between obtaining a decision that is binding across the whole of the EU (a Community-wide judgment) or a national decision that binds only the state in which it is brought (a national judgment). Here we describe the procedure for Community trade marks but similar considerations apply for designs.

<sup>9</sup> It is not, strictly speaking, impossible for these cases to be heard in a foreign court but it is rare. Even where this occurs the applicable law would be UK law.

<sup>10</sup> See the discussion of this point in Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (4th ed 2011), at para 62.30.

<sup>11</sup> [1999] 2 All ER 691.

<sup>12</sup> TMA 1994, s 21 is applied by para 6 of the Community Trade Mark Regs 2006; by s 77 of the Patents Act 1977 and by reg 2 of the Community Design Regs 2005.

### **Community-wide judgments – which member state’s courts?**

- 3.12 For Community-wide judgments, the Community Trade Mark Regulation<sup>13</sup> sets out the rules as to where claims must be brought. The hierarchy is that proceedings are brought in the courts where the defendant is domiciled or has an establishment. If that does not apply, then where the claimant is domiciled or has an establishment. If neither applies, then in Spain where the Office for the Harmonisation of the Internal Market is based. Alternatively, the parties may enter into a binding agreement as to where litigation takes place under the Brussels Regulation as recast.<sup>14</sup> A Community-wide judgment takes effect across the EU.<sup>15</sup>

### **National judgments – which member state’s courts?**

- 3.13 Infringement proceedings (with the exception of a declaration for non-infringement) may also be brought in the designated court of the member state where the infringement occurred or was threatened.<sup>16</sup> Where this is done the designated court has jurisdiction only in respect of acts committed or threatened within the territory of the member state in which the court is situated. The court’s judgment only binds in the state in which it has been obtained.<sup>17</sup>
- 3.14 In common with other member states, the UK has designated particular national courts as first and second instance Community trade mark or Community design rights courts.<sup>18</sup> These courts, which have exclusive jurisdiction over Community right infringement disputes, are part of the UK’s national court system.

### **THE BEST BUY CASE**

- 3.15 *Best Buy* was the first case to directly consider whether groundless threats actions could be brought in respect of threats to sue elsewhere than in the UK.<sup>19</sup> At first instance, Mr Justice Floyd noted that if the provisions applied to threats to sue Europe-wide (without limitation) that would in effect “export” the policy behind the threats provisions to other member states.

<sup>13</sup> Council Regulation (EC) 207/2009.

<sup>14</sup> Council Regulation (EU) 1215/2012.

<sup>15</sup> The applicable law in designated courts is that set out in the CTMR, or where a matter is not covered, national law; art 101 and art 88 respectively.

<sup>16</sup> CTMR art 97(5).

<sup>17</sup> There can be tactical reasons to sue in a national designated court. If the validity of the right is put in issue, any finding that it is or is not invalid will take effect only nationally too.

<sup>18</sup> These are the Chancery Division of the High Court and the Intellectual Property Enterprise Court, the Court of Session for Scotland and the Northern Ireland High Court.

<sup>19</sup> [2010] EWHC 1666 (Ch) at first instance and [2011] EWCA Civ 618 in the Court of Appeal.

### **The facts**

- 3.16 The first claimant, Best Buy (BB) was a US corporation; the second claimant was its UK subsidiary, Best Buy Europe Distributions (BBE). The claimants had planned to open a series of shops in the UK and Europe under the “Best Buy” name and a subsidiary of the first claimant had applied for a Community trade mark that included those words. The defendant, Worldwide Sales, was a Spanish corporation active in the Spanish and European markets (Worldwide). Worldwide opposed the application on the basis of two Community trade marks it owned which included the words “Best Buy”.
- 3.17 The threat was alleged to have been made in a letter sent by Worldwide’s Spanish lawyers (the September letter). The letter said that, for Worldwide to be able “to protect its rights in a proper fashion”, BBE should confirm its willingness to enter into dialogue to negotiate a settlement or to give an undertaking not to use the “Best Buy” trademark in Europe. The discussions that ensued failed to resolve the matter and groundless threats proceedings were issued by BB and BBE.

### **The approach of the court at first instance**

#### ***The need for a link***

- 3.18 It was argued on behalf of the claimants that section 21 of the Trade Mark Act 1994 applied to any threat of proceedings to enforce a registered trade mark, provided the court had jurisdiction to hear it. The terms of section 21 were wide enough to support this construction.
- 3.19 The defendant argued that the threat must be for proceedings to be brought in the UK courts. If there was no limitation, the threats provisions would be a trap for the unwary across all EU member states. The provisions were little known beyond the UK. In many other states it may be the practice or a requirement that contact is made with an alleged infringer before litigation may be brought and this would render a requirement in one state a wrongful act in another. The court should be astute not to impose aspects of domestic trade or competition policy on other countries where there is no common approach to those issues.
- 3.20 Mr Justice Floyd preferred the argument that the scope of threats actions should be limited to the UK. Section 21 was not on its face concerned with the harmful effects of threatened proceedings in other jurisdictions.<sup>20</sup> The section was contained in a group of sections concerned broadly with the relief that a court may grant, which for the purposes of the Act, was a UK court.<sup>21</sup>

<sup>20</sup> *Best Buy Co Inc v Worldwide Sales Corporation España SL* [2010] EWHC 1666 (Ch) at [15].

<sup>21</sup> Except where the context otherwise requires this means a UK court; section 75 of the TMA 1994.



### ***The two stage test***

- 3.21 Mr Justice Floyd first determined whether the September letter contained a threat and applied the guidance given in *L'Oréal (UK) Ltd v Johnson & Johnson*.<sup>22</sup> A threat was “any information that would convey to a reasonable man that some person has trade mark rights and intends to enforce them against another.” This was essentially a question of fact.
- 3.22 If satisfied, the next stage was to decide whether the letter would be read by a reasonable person in the position of the claimant “to be a threat to bring proceedings in the courts of the United Kingdom”.<sup>23</sup>
- 3.23 This also was an issue of fact. As explained above, there are courts other than UK national courts in which to enforce Community-wide rights. In *Best Buy* the correspondence between the parties made many references to both Spain and Europe and both parties were aware that BBE planned to launch their shops in the UK. The Judge noted that the reasonable business person is not an expert on trade mark law or jurisdiction. He held that the reasonable recipient would consider that Worldwide Sales had a range of options as to the Member State in which they could sue and that they were not limiting themselves to Spain. On the facts, the UK would be a likely choice for proceedings and the threats provisions applied. However, the threats claim failed on other grounds.<sup>24</sup>

### ***Best Buy in the Court of Appeal***

- 3.24 On appeal to the Court of Appeal there was no challenge to the principle applied at first instance that the threat must be to sue for infringement in a UK court, something that Lord Neuberger MR considered to be right.<sup>25</sup> The court accepted that the threat was Europe-wide, so there was more than one member state in which to bring proceedings.<sup>26</sup> The court then focussed on how the reasonable recipient in the position of the claimant would interpret the threat in terms of the court in which proceedings might be brought. The Court of Appeal decided that a recipient would understand the threat to be to one to sue in the UK, not just because BB’s lawyers were located there, but because of the following additional factors:
- (1) The September letter noted that BB intended to roll out its superstore model across Europe with its first site in the UK;
  - (2) The evidence before the court included newspaper reports that the claimants had acquired a 50% stake in a UK retailer whose main centre of operations was the UK;<sup>27</sup> and

<sup>22</sup> [2000] FSR 686.

<sup>23</sup> [2010] EWHC 1666 (Ch) at [33].

<sup>24</sup> The communication in issue was said to have been made on a “without prejudice” basis.

<sup>25</sup> *Best Buy Co Inc v Worldwide Sales Corporation España SL* [2011] EWCA Civ 618 at [24].

<sup>26</sup> The court pointed out that a Europe-wide threat of proceedings is not the same as a promise to sue in each in the courts of all 27 member states; [2011] EWCA Civ, 618 at [27].

<sup>27</sup> The retailer did also trade elsewhere in Europe.

- (3) The reports noted that BB intended to use its stake in the retailer as a launch pad to develop a meaningful business in Europe.
- 3.25 The most persuasive factors for the court, therefore, were concerned with the location of the acts that were, or would be, infringing. We consider that this holds the key for Unitary Patents.

### **A NEW UK LINK**

- 3.26 In June 2014, the IPO's technical review proposed that the groundless threats provisions should be extended to cover the UP.<sup>28</sup> This was supported by consultees; we agree. However, the test for a threat as stated in *Best Buy* must be modified so that it can apply to UPs that come within the exclusive jurisdiction of the UPC. As we saw at Paragraph 3.2 above, in legal terms the UPC will not be a UK court. Therefore a threat to sue in respect of a right over which the UPC has exclusive jurisdiction, cannot be interpreted as a threat to sue in the UK courts.
- 3.27 Extending the test presents two challenges:
- (1) Merely extending the test to include a threat to bring proceedings in the UPC, without any limiting link to the UK, would greatly expand the scope of the provisions and risks "exporting" UK domestic policy abroad.
  - (2) In any threats action, issues of infringement and validity can be raised where there is a justification defence or a claim that the right is invalid. However, the UPC will have exclusive jurisdiction over these actions for both the UP and for EP(UK)s that are not opted out under Article 83.<sup>29</sup> This will create obstacles for any UK court having to decide these issues in the context of a groundless threats action.

### **Applying the new test to all rights covered by the threats provisions**

- 3.28 We also explained in our 2014 Report that we saw no reason why the current two stage "*Best Buy* test" should not apply to all the other rights where there is a Europe-wide range of courts in which to sue for infringement.
- 3.29 Recent case law, where the test was applied, supports that conclusion. *Samsung Electronics (UK) Ltd v Apple Inc* concerned a registered community design.<sup>30</sup> *Global Flood Defence Systems Ltd v Van Den Noort Innovations BV* concerned a European Patent application that designated the UK.<sup>31</sup> In both cases, the court proceeded on the basis that it could consider the threats, provided that they were threats to commence proceedings for infringement in the UK.

<sup>28</sup> IPO, Technical Review and Call for Evidence on Secondary Legislation Implementing the Agreement on a Unified Patent Court and EU Regulations Establishing the Unitary Patent (5 September 2014).

<sup>29</sup> And related SPCs.

<sup>30</sup> [2012] EWHC 889 (Ch).

<sup>31</sup> [2015] EWHC 153 (IPEC).

- 3.30 More recently, in *Tech 21 UK Ltd v Logitech Europe SA*, a Community unregistered design case, the court interpreted regulation 2 of the Community Designs Regulations in the light of the *Best Buy* decision.<sup>32</sup> On the facts, the Judge found that the threat could be understood to indicate proceedings in the UK were likely, or at the very least “that there was a realistic possibility of UK proceedings” either immediately or in the future.<sup>33</sup>
- 3.31 As the “*Best Buy* test” has come to be more generally applied, we think that the modified test must also be able to apply to all the rights covered by the threats provisions. Without a single test, the law will become inconsistent, complex and difficult to operate. This would go against the objectives of our reforms as set out above at paragraph 1.50.

#### **The need for a link**

- 3.32 We think that the groundless threats provisions should apply only to threats with some link to the UK. Without some clear geographical limitation on the scope of section 70, any threat to sue for infringement proceedings in the UPC could trigger a groundless threats action in a UK national court. For example, without a specific UK link, groundless threats provisions might apply where a German rights holder threatens a German retailer, to sue in the UPC local division in Germany, for acts of infringement committed in Germany.<sup>34</sup> We do not think that a piece of UK national law should apply to acts which are solely concerned with another jurisdiction.

#### **Not where the threat is made**

- 3.33 It was proposed in the IPO Technical Review that section 70 of the 1977 Act should apply only where the threat to sue for infringement was made in the UK.<sup>35</sup> We do not agree with this approach, not least because the threat in *Best Buy* was made in Spain and there have been many other cases where the threat to sue comes from abroad. The proposed requirement would represent a significant change in the current law and could work in an arbitrary way. Multinational companies could also manipulate the situation to avoid groundless threats provisions.

<sup>32</sup> Regulation 2 of the CDR 2006 (which applies the UK threats provisions to community design rights) is in the same terms as s 253 of the CDPA 1988 and s 26 of the RDA 1949. All of these provisions are set out at Appendix B}.

<sup>33</sup> [2015] EWHC 2614 (Ch) at [81] by Stephen Jourdan QC (sitting as a Deputy High Court Judge). Both parties have lodged appeals but not on this issue.

<sup>34</sup> It important to remember that threats actions may not be brought for all threats. Where a threat refers to a primary act of infringement or is made to a primary actor (that is, someone who has committed a primary act), a threats action may not be brought; see PA 1977, section 70(4)(a) and (b).

<sup>35</sup> IPO, Technical Review and Call for Evidence on Secondary Legislation Implementing the Agreement on a Unified Patent Court and EU Regulations Establishing the Unitary Patent (5 September 2014).

### **Procedural issues**

- 3.34 We recognise that applying the threats provisions to UPs will have consequences for the procedure that applies in threats actions where issues of infringement and validity are raised.<sup>36</sup> A UK national court will not have jurisdiction over actions for infringement or validity in respect of UPs. Therefore, where these issues are raised in the context of a groundless threats action they can only be finally determined by the UPC. We anticipate that this will require the threats action to be stayed in the meantime and then resumed (or settled or withdrawn) once the UPC has reached a decision. At the point the court stays the threats proceedings it might take a preliminary view on issues of infringement and validity in order to consider the question of whether interim relief should be granted.<sup>37</sup>
- 3.35 A similar situation can occur now, for example in a threats case where there is a counterclaim for revocation or for a declaration of invalidity brought before a member state's designated Community trade mark court. In some cases the UK courts have taken a robust approach and, where it is appropriate and equitable, formed a view on the issue of infringement or validity in order to dispose of a matter. Alternatively, the court may stay the infringement proceedings and direct that the defendant applies to OHIM for revocation or for a declaration within a particular time period in order to determine one or both of these issues.<sup>38</sup> If this is not done, the proceedings before the Community Trade Mark Court will resume and the counterclaim will be treated as if it has been withdrawn.
- 3.36 Additional procedural complexity in threats actions is an unavoidable consequence where national law is applied to a unitary right for which there is exclusive jurisdiction elsewhere.<sup>39</sup> However, we think there are also several factors which will reduce the potential for disruption in practice.
- (1) Our research shows that many threats actions do not go to a final hearing; many cases stop once an injunction has been granted or undertaking has been given.
  - (2) The local division located in the UK will be a forum in the UK in which to deal with issues of infringement.<sup>40</sup>
  - (3) The reforms to the threats provisions, taken as a whole will also reduce the likelihood of threats actions being brought and therefore the potential for disruption.

<sup>36</sup> Our concerns apply equally where European patents have not been opted out of the UPC's exclusive jurisdiction.

<sup>37</sup> A stakeholder suggested that a UK court could decide whether there had been an infringement of a UP or whether it was invalid within the limited context of a threats action. While this may theoretically be possible we are not convinced this would necessarily take matters forward. We think that a subsequent decision on the issues by the UPC must "trump" any such finding and leave the parties in an unsatisfactory position.

<sup>38</sup> CTMR, article 100(7).

<sup>39</sup> We maintain that the best long-term approach would be to replace the threats provisions with a new tort of false allegations made by one trader to discredit a competitor based on the Paris Convention for the Protection of Industrial Property.

<sup>40</sup> Council Regulation (EC) 207/2009.

- (4) Recent amendments to the Civil Procedure Rules and case decisions have enhanced the courts' case management powers and underscored the need for robust case management. We think that the courts will use these powers to resolve this issue satisfactorily and that no additional legislative provision is necessary.

### **Provisional conclusions**

3.37 We reached the following conclusions which we presented to our Working Group, and to those stakeholders who responded to our consultation on this issue.

- (1) The threats provisions should apply to UPs and EPs that come within the exclusive jurisdiction of the UPC. This requires that actionable threats to bring infringement proceedings include threats to sue in the UPC.
- (2) The scope of the threats provisions should be limited to the UK.
- (3) Although partly located in the UK the UPC is not, in legal terms, a UK national court.
- (4) The requirement in *Best Buy*, that the threat should be understood by the reasonable recipient in the position of the actual recipient to mean that infringement proceedings will be brought in a UK court, cannot be satisfied for UPs. Therefore, there needs to be a new requirement that provides the necessary link to the UK.
- (5) The *Best Buy* requirement should be replaced with a new two-stage test for whether there has been a relevant threat. First, the test is whether the communication would be understood by the reasonable recipient in the position of the actual recipient as meaning that someone has a right and intends to enforce it against another.
- (6) The second stage also concerns what the reasonable recipient in the position of the actual recipient would understand. Would they understand the relevant threats to be made in respect of acts of alleged infringement which have been or would be committed in the UK?
- (7) The new two-stage test should apply to all rights to which the threats provisions apply.
- (8) The new two-stage test should apply to express and implied threats.

### **Comments**

3.38 Overall, the comments made in respect of our conclusions were positive and supported the new two-stage test as being a sensible response to the issue. There was a general consensus that the threats provisions should apply to patents that fall within the jurisdiction of the UPC and that any new test should apply across all the rights covered by the threats provisions.

- 3.39 Some consultees thought the more appropriate solution would be to replace the current provisions with a new tort of making false allegations as we had suggested in our 2013 consultation. One thought that in a post-UPC world, reform of this nature would become more urgent. We think that ultimately this may have to happen. However, there was insufficient consultee-support for our suggestion to take it forward and therefore the reform of the threats provisions would need to be evolutionary in nature.
- 3.40 Many who responded recognised that extending the provisions to patents within the UPC's jurisdiction could give rise to procedural difficulties. However, some commented that solving the difficulties might not be something to be fixed by UK law. The problems were not limited to groundless threats but arose more broadly out of the interplay between the UPC and national procedures. Others noted that the future operation of the UPC remained a matter of uncertainty and there was a possibility that the UPC would develop its own practice and procedure to deal with these issues. There was also support for our view that many of the difficulties could be addressed by robust case management measures.

### **CONCLUSION AND RECOMMENDATIONS ON THE UK LINK**

- 3.41 We are satisfied from what we have been told that there is significant support for the new two-stage test and the suggestion that it should apply to UPs and those rights which are already covered by the threats provisions. We do not think the procedural issues that will follow in the wake of the reform are insurmountable. We think these issues can be minimised by careful and robust case management.
- 3.42 Some consultees described our proposals as the best that can be done under the circumstances. We accept this. Our preference has always been for wider reform. However, that was ruled out, for now, by consultees and the Government. Therefore, we make the following recommendations:
- (1) We recommend that section 70 of the Patents Act 1977 should apply to Unitary Patents and to European Patents (UK) that have not opted out of the jurisdiction of the Unified Patent Court during the transitional period.**
  - (2) We recommend a new test for a threat of infringement proceedings which is that a reasonable person in the position of a recipient would understand from the communication that a person -**
    - (a) Has a right in a Unitary Patent, European Patent (UK) or national patent, Community trade mark or national trade mark, Community registered or unregistered design or national registered or unregistered design; and**
    - (b) Intends to bring proceedings against another person for infringement of one or more of those rights by:**
      - (i) An act done in the United Kingdom, or**
      - (ii) An act which, if done, would be done in the United Kingdom.**

## **CHAPTER 4: COMMENTARY ON THE BILL**

- 4.1 In this Chapter, we comment on the main clauses and sections of the draft Bill. A full version of the Bill appears at Appendix C. We have also included relevant extracts in the main text below where this assists the reader. First, however, we outline policy choices in the way the Bill is structured and explain why we have drafted separate (but similar) provisions for each of the rights in question. We also summarise stakeholders' feedback on earlier drafts of the Bill.

### **APPROACH TO DRAFTING**

- 4.2 We had some policy choices in how to approach the Bill.

#### **Continue to embed provisions within separate Acts?**

- 4.3 The first was whether to continue the current approach, which is to embed each groundless threats provision within the Act to which it relates. At present, for example, the patent provisions are to be found within with the Patents Act 1977, the trade mark provisions within the Trade Marks Act 1994 and the provisions on registered designs within the Registered Designs Act 1949. An alternative approach would have been to create a new standalone measure which would apply to patents, trade marks and designs.

- 4.4 In the end, we decided to stay with the current approach. It was felt that this would make it easier for those who are less familiar with IP law and the law of groundless threats. A standalone measure could easily go unnoticed by this group. The current approach also makes sense for those who are experienced in this area of the law. The Acts for patents, trade marks and designs provide something of a one-stop-shop for most of the provisions relevant to that right. We did not want to interfere with this by creating a completely new, standalone, measure. Therefore, the clauses of the Bill insert the new provisions into the various existing Acts as substitutes for the existing provisions.

- 4.5 The result is that the Bill may appear to take longer to read than is the case. The five substantive provisions for each of the rights are written to be as similar as possible.

#### **General principles v detailed answers**

- 4.6 The second difficult issue was how far to confine the statutory provisions to broad principle for a court to interpret, and how far to provide more detail on the face of the legislation.

- 4.7 A constant theme from stakeholders was the demand for more guidance about what could and could not be said in pre-litigation correspondence between the parties. To respond to this demand, the current provisions are longer and more detailed than the statutory provisions they replace. However, we have borne in mind the need for judicial flexibility in certain areas and as result we have left some room for the provisions to develop in the courts.

## **STAKEHOLDER COMMENTS ON THE BILL**

- 4.8 In finalising the Bill we have circulated early drafts to our Working Group, the membership of which includes IP practitioners and lawyers, rights holders and specialist IP judges. Early drafts were also circulated to other IP judges including, Lord Justice Kitchin, Lord Justice Floyd and Mr Justice Arnold. We also circulated earlier drafts to other main stakeholders, including the Law Society IP Committee, the Chartered Institute of Patent Attorneys and the Intellectual Property Office. We have been greatly assisted by the feedback received and, as a consequence, the Bill has been through many drafts.
- 4.9 We have also benefited greatly from the assistance of Professor Hector MacQueen of the Scottish Law Commission. Professor MacQueen has helped us to canvass the views of Scottish stakeholders including Lord Glennie, the Law Society of Scotland, and the Faculty of Advocates. Again, this has led to amendments of the drafts.

## **THE STRUCTURE OF THE DRAFT BILL**

- 4.10 The Intellectual Property (Unjustified Threats) Bill is made up of nine clauses of which six set out the substance of the reform for each of the national and Community rights concerned. The later clauses, which we do not address in detail, deal with technical matters such as territorial extent and commencement.<sup>1</sup>
- 4.11 The Bill substitutes or amends the current threats provisions as follows:
- (1) Clause 1 substitutes sections 70 to 70F for section 70, Patents Act 1977.
  - (2) Clause 2 substitutes sections 21 to 21F for section 21, Trade Marks Act 1994.
  - (3) Clause 3 amends Regulation 6, Community Trade Mark Regulations 2006.<sup>2</sup>
  - (4) Clause 4 substitutes sections 26 to 26F for section 26, Registered Designs Act 1949.
  - (5) Clause 5 substitutes section 253 to 253E for section 253, Copyright, Designs and Patents Act 1988.<sup>3</sup>
  - (6) Clause 6 substitutes Regulations 2 to 2F for Regulation 2, Community Design Regulations 2005.<sup>4</sup>

<sup>1</sup> What is dealt with is clear from the face of the particular clause.

<sup>2</sup> SI 2006/1027.

<sup>3</sup> There is one less subsection for design right as it is not a registered right.

<sup>4</sup> SI 2005/2339.



## **AN OVERVIEW OF THE NEW PROVISIONS**

- 4.12 A major criticism of the current law is that there are unnecessary and confusing differences in the threat provisions which apply to different rights. The draft Bill removes these differences. Each of the five substantive sections follows the same structure and is the same in almost all material respects.
- 4.13 Therefore, we have taken sections 70 to 70F (for patents) as our example to describe the new law. The equivalent provisions for trade marks and designs are referred to in footnotes. We deal with the small number of differences between the equivalent sections as they arise.
- 4.14 The threats provisions have undergone many re-enactments and amendments since first introduced in 1883 for patents. As a consequence, the current provisions are not necessarily in a logical sequence. The main elements of the tort are tightly packed within subsection (1) of section 70 with later amendments and additions tagged on subsequently. The most significant amendments made for patents in 2004 were inserted as a new subsection (2A) and added to the end of section 70 as new subsections (5) and (6).
- 4.15 The Bill provisions are in a new order. For each right, the substantive clause follows this sequence:
- (1) The first section defines what a threat is for the purposes of the threats provisions. The definition mainly follows the current case law. However, the required link between the threat and the UK changes. The threat must be understood to relate to an act done (or one which would be done) in the UK.<sup>5</sup>
  - (2) Not all threats are actionable; the second section defines which are not. As in the current law, actions may not be brought for threats which refer to primary acts (such as making or importing a product). The section also extends (to trade marks and designs) the current exception in patent cases for threats made to a primary actor. That is someone who does, or intends to do, a primary act. For example, a maker or importer.
  - (3) The third section introduces the concept of “permitted communications”. Where certain conditions are met, a threat made to a secondary actor will not be actionable. This exclusion does not apply to express threats to sue for infringement. The section gives guidance on what may be said and for what purpose thereby resolving the uncertainty of the current law.

<sup>5</sup> We explain the reasons for this in Chapter 3.

- (4) The fourth section sets out the remedies and defences. The range of remedies is unchanged. The defence whereby a threatener is not liable for threats where efforts to find the primary actor were unsuccessful is extended to trade marks and designs (it is currently available only for patents). Currently the threatener must use “best endeavours” to find the primary actor. This is changed to “all reasonable steps”.<sup>6</sup>
- (5) The fifth section is entirely new. It prevents threats actions from being brought against professional advisers who act on instructions and who identify their client in the communication.

## A THREAT

- 4.16 Section 70 sets out the test for whether a communication contains a threat. There are equivalent sections for other rights.<sup>7</sup>

**70 Threats of infringement proceedings**

(1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—

- (a) a patent exists, and
- (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the patent by—
  - (i) an act done in the United Kingdom, or
  - (ii) an act which, if done, would be done in the United Kingdom.

(2) References in this section and in sections 70A to 70C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

- 4.17 Threats may take many forms; they may be written or oral, implied or express. As is currently the case, the intention of the threatener is not material. Whether something is a threat is determined from the point of view of a reasonable person in the position of a recipient.
- 4.18 There are two parts to the test. The first part, taken from the common law, is whether the communication would be understood to mean that a right exists and that someone intends to enforce it against someone else for infringement of that right.<sup>8</sup>

<sup>6</sup> See Chapter 2 at Paragraphs 2.17 to 2.20, where we discuss this change.

<sup>7</sup> Section 21 for trade marks, section 26 for registered designs, section 253 for design right, and regulation 2 for Community designs.

<sup>8</sup> See above at Chapter 1, Paragraph 1.16 to 1.18. See further, Patents, Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, para 2.27 and following.

- 4.19 As we explained in Chapter 3, the test was recently interpreted by the Court of Appeal in *Best Buy Co Inc v Worldwide Sales Corp España SL*. In *Best Buy* it was held that, in cases where it is possible to sue for infringement in the UK national courts and in the courts of another state, the threat must be understood to relate to proceedings being brought in the UK.<sup>9</sup> To ensure that the threats provisions can apply to European patents that will come within the jurisdiction of the Unified Patent Court the test has been replaced by section 70(1)(b)(i) and (ii) and equivalents. The threat must be understood to relate to an act done in the UK, or which if done, would be done in the UK. The requirement therefore provides the necessary link to the UK for the threats provisions - which are part of UK domestic law - to apply.
- 4.20 Threats need not be made to an identified individual; they can be made more generally. However, the threat must still be made in relation to a person.<sup>10</sup> Section 70(2) applies where a threat is made in a mass communication. It provides that, in such cases, the understanding of the reasonable person will be that of a recipient who is a member of the public, or a member of the section of the public to which the communication was directed.
- 4.21 This replicates the current law. For example, a notice on a Y's webpage is read by potential purchasers of a particular product. The notice advises that products of that type made by X Co infringe Y's patent. It also states that Y will take steps to prevent this. The inference is that a purchaser of X Co's product might be committing an infringement. The test would be whether a reasonable person in the position of a potential purchaser of that type of product would understand the webpage text to contain a threat to sue.<sup>11</sup>

#### **AN ACTIONABLE THREAT**

- 4.22 A communication that satisfies the test at section 70 will be a threat and the threats provisions are engaged. However, not all threats to sue for infringement will necessarily allow a person aggrieved to bring a threats action. The next stage is to determine whether the threat is an actionable one.
- 4.23 Section 70A and equivalents<sup>12</sup> provide that a threat is actionable by any person aggrieved unless one or more exception contained in the section applies.

<sup>9</sup> The threat need not exclusively relate to suing in UK courts.

<sup>10</sup> See *Challender v Royle* (1887) 4 RPC 362 at 375.

<sup>11</sup> In *Global Flood Defence Systems Ltd v Van den Noort Innovations BV* [2015] EWHC 153 (IPEC), the allegation put up on a webpage was that a product, similar to one the threatener was retailing, infringed its patent. The court held the test to be how this would be understood by a reasonable person in the position of a member of flood prevention industry looking to buy such a product.

<sup>12</sup> Section 21A for trade marks, section 26A for registered designs, section 253A for design right, and regulation 2A for Community designs.

#### 70A Actionable threats

- (1) Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of—
  - (a) where the invention is a product, making a product for disposal or importing a product for disposal, or
  - (b) where the invention is a process, using a process.
- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b).
- (4) A threat of infringement proceedings is not actionable if the threat—
  - (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to a product or process, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to that product or process.
- (5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

4.24 A person aggrieved need not be the recipient of the threat. Anyone whose commercial interests have or might be affected by the threat in a real rather than fanciful way may bring a threats action.<sup>13</sup> To return to the example above, X co may lose business because of the threat, therefore it could bring a threats action as a person aggrieved.

4.25 There are three exceptions, which if applicable, prevent a person aggrieved from bringing a threats action.

#### **Not actionable because of the subject matter of the threat**

4.26 Section 70A(2) and equivalents replicate the existing exception for patents, trade marks and designs whereby a threats action cannot be brought if the threat refers to the relevant primary acts for the particular right.<sup>14</sup> The subsections do not alter the existing law save in one respect. Section 70A(3) and equivalents extend the exception to threats that refer to intended primary acts.

<sup>13</sup> See *Brain v Ingledew Brown Bennison and Garrett (No 3)* [1997-98] Info TLR 329, [1997] FSR 511 at 520 by Laddie J.

<sup>14</sup> See above at Chapter 1, Paragraph 1.52 for the primary acts. The current provisions are PA 1977, s(4); TMA 1994, s 21(1)(a),(b) and (c); RDA 1949, s 26(2A) and CDPA 1988, s 253(3).

4.27 There is one other change made for trade marks only. Section 21A(2)(a) refers to the primary act of applying *or causing another person to apply*, a sign to goods or their packaging. The words in italics enact the recommendation that it should also be a primary act to cause another to apply the sign, for example by commissioning that work to be done.<sup>15</sup>

**Not actionable because of person to whom the threat is made**

4.28 Section 70A(4) and equivalents replicate the current primary actor exclusion introduced for patents only in 2004.<sup>16</sup> That change was made to deal with a problem highlighted in the case of *Cavity Trays Ltd v RMC Panel Products Ltd*.<sup>17</sup> Here a threat made to a manufacturer also referred to other acts, including promoting and selling the product. The court found that the threatener could be sued for making threats because they had referred to those other acts. An amendment was made to the Patents Act 1977, which focuses on the person to whom the threat was made rather than the act to which it refers. So, for example, where the threat is made to a manufacturer of a product it does not matter if it also refers to the manufacturer selling or supplying the product in question. The equivalent sections for trade marks and designs extend the change made for patents to those rights.<sup>18</sup>

4.29 There is one further extension of the exclusion which applies to all rights. Under section 70A(3) and its equivalents, a threat is not actionable if it is made to someone who *intends* to carry out a primary act.

**Not actionable because it is contained in a permitted communication**

4.30 Under section 70A(5) and its equivalents, a threat made to a secondary actor is not actionable if it is contained in a permitted communication. This exclusion does not apply to an express threat.

<sup>15</sup> See the Report, Chapter 5 at Paragraphs 5.32 to 5.33 and 5.94(4).

<sup>16</sup> See above at Chapter 1, Paragraphs 1.20 to 1.23.

<sup>17</sup> [1996] RPC 361.

<sup>18</sup> See the Report, Chapter 5 at Paragraph 5.66.

## PERMITTED COMMUNICATIONS

4.31 Section 70(B) and its equivalents<sup>19</sup> define a permitted communication.

### 70B Permitted communications

- (1) For the purposes of section 70A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—
  - (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose,
  - (b) all of the information that relates to the threat is information that—
    - (i) is necessary for that purpose (see subsection (5)), and
    - (ii) the person making the communication reasonably believes is true.
- (2) Each of the following is a “permitted purpose”—
  - (a) giving notice that a patent exists;
  - (b) discovering whether, or by whom, a patent has been infringed by an act mentioned in section 70A(2)(a) or (b);
  - (c) giving notice that a person has a right in or under a patent, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the patent.
- (3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.
- (4) But the following may not be treated as a “permitted purpose”—
  - (a) requesting a person to cease doing, for commercial purposes, anything in relation to a product or process,
  - (b) requesting a person to deliver up or destroy a product, or
  - (c) requesting a person to give an undertaking relating to a product or process.
- (5) Examples of information that may be regarded as necessary for a permitted purpose include—
  - (a) a statement that a patent exists and is in force or that an application for a patent has been made;
  - (b) details of the patent, or of a right in or under the patent, which—
    - (i) are accurate in all material respects, and
    - (ii) are not misleading in any material respect; and
  - (c) information enabling the identification of the products or processes in respect of which it is alleged that acts infringing the patent have been carried out.

4.32 This section provides a “safe harbour” to allow a rights holder to communicate with someone who might otherwise be entitled to bring a threats action if threatened. Whether or not a communication is a threat is determined by reference to the understanding of a hypothetical recipient. It does not matter what the communicator intended by the threat. For that reason, communication with a third party can be fraught with difficulty. Even the most innocuous communication can be interpreted as being threatening.

<sup>19</sup> Section 21B for trade marks, section 26B for registered designs, section 253B for design right, and regulation 2B for Community designs.

- 4.33 Communication with an actual or potential secondary infringer should be the exception and not the rule. This is in line with policy, set out in the recommendations of the Banks Committee in 1970, that the law should discourage “proprietors from directing their concerns to retailers and customers”, but leave them “free to approach manufacturers and importers”.<sup>20</sup> However, there are occasions when communication between the parties is necessary or could even resolve any dispute.<sup>21</sup> The permitted communication exception recognises this. It also allows disputing parties to comply more easily with the obligations placed upon them by the Civil Procedure Rules to exchange information in order to avoid litigation.

#### **No express threats**

- 4.34 Section 70A(5) makes it clear that the opportunity to communicate safely with those who would otherwise be protected must not be used to make express threats to sue.

#### **The conditions**

- 4.35 The conditions that must be met are set out at section 70B(1) and equivalents. These apply to the part of the communication that comprises the threat. Other material in the communication (not made solely for a permitted purpose, not necessary for that purpose, or which the communicator may not reasonably believe is true) will be subject to the test for a threat under section 70 and equivalents. If the extraneous material does not satisfy that test, then the provisions are not engaged in respect of it. The process is best explained with an example:

X Co sends a communication to Y shop as Y shop is retailing a product that X Co believes infringes its patent. The communication covers three issues. The first is an introductory passage introducing the writer and asks the recipient if they would like to be placed on the company’s Christmas catalogue list as they have a fantastic new range of products coming out. The second notifies the recipient of a patent it owns and asks the recipient to give details about the supplier of the product in question. The final piece of the communication is the transcript of a case brought by X Co for infringement of an entirely different product. X Co states that it has been included “just so you know”. Y shop brings a threats action.

<sup>20</sup> *Report of the Committee to Examine the Patent System and Patent Law* (1970), Cmnd 4407 at p xvii.

<sup>21</sup> Once proceedings for infringement are issued the threats provisions play no further role.

- 4.36 The first part of the communication would not satisfy the permitted communication conditions as it is not made solely for a permitted purpose and would, in any event, be unnecessary. However, it is not a threat within the meaning of section 70, it is merely a communication and therefore the provisions are not engaged by reason of its inclusion. The second part carries within it the implication that Y shop may be retailing infringing products and therefore Y shop is at risk of being sued. However, it is made for the permitted purpose of tracking down the primary actor and the information given is necessary for that purpose. Provided the writer can show they reasonably believe it to be true, the threat is permitted.
- 4.37 The final part of the letter provides information that is not necessary for the permitted purpose and which does not come within any other permitted purpose. It is a threat in its own right as defined and unless some other exclusion applies it is actionable.

### **Guidance**

- 4.38 Section 70B and equivalents provide guidance by identifying a list of permitted purposes at subsection (2) and by stating what cannot be a permitted purpose at subsection (4). Subsection (5) contains examples of the types of information that may be regarded as necessary for a purpose.
- 4.39 The list differs slightly according to the right in question, so for example, different information may be necessary depending on whether the right in question is a registered or unregistered right. Whatever information is given it must be accurate and not mislead, for example by the omission of details so that the right appears to be of wider scope than it actually is.

### **New permitted purposes**

- 4.40 The court is given a power at subsection (3) to add to the list of permitted purposes. This is to ensure that the permitted purposes exception provides sufficient guidance as to what may be said and when without falling into the trap of being overly prescriptive and inflexible. It also means that the law can develop over time to better reflect surrounding circumstances as they change. Any new purpose must be similar in nature to those already listed and must be necessary in the interests of justice. We expect that any enlargement of the list will be incremental and will continue to reflect the principle that communication with a secondary infringer is exceptional.



## REMEDIES

- 4.41 The remedies, as set out at section 70C(1) and equivalents<sup>22</sup> are unchanged from the current law.

### 70C Remedies and defences

- (1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—
- (a) a declaration that the threat is unjustified;
  - (b) an injunction against the continuance of the threat;
  - (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.

- 4.42 An injunction may be obtained as an interim or final remedy. Damages are awarded for the damage caused by the threat and which are the natural and reasonable consequences of the defendant's acts.<sup>23</sup> The successful claimant in a threats action may also apply for a declaration that the threats were unjustified.

## DEFENCES

- 4.43 Section 70C(3) and (4) set out the two statutory defences available to the defendant in a threats action.<sup>24</sup>

- (3) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the patent.
- (4) It is a defence for the person who made the threat (T) to show—
- (a) that T used all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in section 70A(2)(a) or (b) in relation to the product or the use of a process which is the subject of the threat, and
  - (b) that T notified the recipient, before or at the time of making the threat, of those steps.

- 4.44 The first, the justification defence is part of the current law for patents, trade marks and designs. The second defence currently only applies for patents but is extended to trade marks and designs.

<sup>22</sup> Section 21C(1) for trade marks, section 26C(1) for registered designs, section 253C(1) for design right, and regulation 2C(1) for Community designs.

<sup>23</sup> See *Ungar v Sugg* (1892) 9 RPC 114.

<sup>24</sup> These are in addition to any other available defence or procedure such as the claimant not proving their case.

### **The justification defence**

- 4.45 Section 70C(3) and equivalents<sup>25</sup> replicate the justification defence with one change. The justification defence is available to the threatener where it can be shown that the acts in respect of which the threat was made were, or would be, infringing. Where the threat is “justified” in this way the claimant in the threats action is denied any remedy. However, under the current law, the remedies are still available if the claimant can show that the right in question is invalid in a relevant respect. This last part is spelled out in the current provisions but omitted in the new subsections. An invalid right cannot be infringed; therefore a threat made in respect of it cannot be justified.<sup>26</sup> Where a justification defence is raised it is standard practice to challenge the validity of the right in issue if that is material.<sup>27</sup> Therefore, stating the principle is unnecessary.<sup>28</sup>

### **Defence where the primary actor cannot be found**

- 4.46 Section 70C(4) replicates a defence introduced by the 2004 reforms for patents. The equivalent sections extend the defence to trade marks and designs.<sup>29</sup>
- 4.47 A guiding principle behind the threats provisions is that threats - should they become necessary – are to be directed to the primary actor. This is because the primary actor is, in all likelihood, the source of the infringement or at least closely connected with it.
- 4.48 However, there may be cases in which the primary actor cannot be found. In order to prevent or limit commercial damage caused by the infringement the only course of action left open to the rights holder might be to threaten a secondary actor. It will be a defence for a threatener to show that all reasonable steps were taken to find the primary actor. The current formulation of the defence requires the threatener to have used best endeavours to find the primary actor. This has led to confusion about what must be done before the defence is available. What is now required is that the threatener took “all reasonable steps” to find the primary actor.<sup>30</sup>

<sup>25</sup> Section 21C(2) for trade marks, section 26C(2) for registered designs, section 253C(2) for design right, and regulation 2C(2) for Community designs.

<sup>26</sup> See *Oragon Teknika v Hoffmann – La Roche* [1996] FSR 383.

<sup>27</sup> We examine procedural issues where the justification defence might be raised in respect of European patents that come within the jurisdiction of the Unified Patent Court at Chapter 3, Paragraphs 3.34 to 3.36.

<sup>28</sup> Issues of infringement and validity can be considered separately in some EU jurisdictions. However, that is in the context of infringement proceedings. For a threats action, where a justification defence is raised the issue of validity is subsumed in the issue of infringement.

<sup>29</sup> Section 21C(3) for trade marks, section 26C(3) for registered designs, section 253C(3) for design right, and regulation 2C(3) for Community designs.

<sup>30</sup> We discuss how this change came about at above at Chapter 2, Paragraphs 2.17 to 2.20.

- 4.49 The threatener must inform the recipient of the threat, either before or at the time it is made, about what steps have been taken. All reasonable steps must have been taken, for example, where the threatener is aware of several possible addresses for the primary actor, all must have been checked and failed to reveal the primary actor.

### **PROFESSIONAL ADVISERS**

- 4.50 Actions against professional advisers represent a significant and potentially damaging misuse of the current threats provisions. Communication with a secondary actor is often made through a professional adviser. Under the current law anyone may make a threat, not just the rights holder. Therefore the professional adviser risks incurring personal liability for making threats. The Bill does not alter this so it remains the case that anyone can issue a threat.
- 4.51 The Bill, however, introduces at section 70D and the equivalents<sup>31</sup>, protection against liability for professional advisers where they are acting in a professional capacity and on client's instructions.<sup>32</sup>

#### **70D Professional advisers**

- (1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met.
- (2) In this section "professional adviser" means a person who, in relation to the making of the communication containing the threat—
  - (a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and
  - (b) is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).
- (3) The conditions are that—
  - (a) in making the communication the professional adviser is acting on the instructions of another person; and
  - (b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.

- 4.52 The protection is available where the adviser is acting on client instructions and is regulated in the provision of services by a regulatory body. This ensures that any misconduct by the adviser when acting for a client can be dealt with by their professional body. Some advisers may chose not to join a regulatory body, in which case the protection will not be available.

<sup>31</sup> Section 21D for trade marks, section 26D for registered designs, section 253D for design right, and regulation 2D for Community designs.

<sup>32</sup> See Chapter 2, Paragraphs 2.21 to 2.24 where we discuss professional adviser liability in greater detail.

- 4.53 The sections do not affect the underlying liability for threats attaching to the client. This section expressly says that it is for the person asserting the defence to show that the conditions are satisfied.<sup>33</sup>

- |   |
|---|
| <p>(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.</p> <p>(5) It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—</p> <ul style="list-style-type: none"><li>(a) the person concerned was acting as a professional adviser, and</li><li>(b) the conditions in subsection (3) were met.</li></ul> |
|---|

#### **Not limited to UK advisers**

- 4.54 The sections adopt a broad definition of “professional adviser”. It has been suggested that the definition should be limited in scope, for example to UK or EU advisers. However, in an increasingly global market the definition must capture the many varieties of foreign and domestic IP practitioner who may risk liability for threats in relation to acts done in the UK.
- 4.55 The definition is sufficiently broad to capture foreign as well as domestic advisers, and its focus on the requirement to be regulated will ensure that any adviser who benefits from the immunity will be accountable to their professional body if their conduct is found wanting in any other respect.<sup>34</sup>

#### **REGISTERED RIGHTS PENDING GRANT**

- 4.56 The law is clear for patents that, when a threat is made before grant, it is taken as a threat to sue once the patent has been granted and this is reflected at section 70E.<sup>35</sup> The position as regards trade marks and registered designs is clarified by sections 21E, 26E and regulation 2E respectively.

<p><b>70E Supplementary: pending registration</b></p>
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<p>In sections 70 to 70C references to a patent include an application for a patent that has been published under section 16.</p>
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- 4.57 Although strictly there is little need to spell this out for patents, the Bill does so for the sake of consistency.

<sup>33</sup> As we saw at Chapter 2, Paragraph 2.23, the Government (in their response to our 2014 recommendations) requested that we make this expressly clear.

<sup>34</sup> It has also been suggested by some stakeholders that some foreign regulators may not be as rigorous as UK regulators. We make no comment on this but in any event, the issue of the quality of a regulator is not a matter for this reform.

<sup>35</sup> *Brain v Ingledeu Brown Bennison & Garrett* [1995] FSR 552; [1996] FSR 341; [1997] FSR 271 and [1997] FSR 511.

## **DELIVERY UP AND ORDERS FOR DISPOSAL**

- 4.58 The Bill also addresses the uncertainty of whether the threats provisions apply to threats to bring proceedings for delivery up or for disposal. Sections 70F, 21F, 26F, 253E and 2F make it clear that they do.

**70E Supplementary: pending registration**

In sections 70 to 70C references to a patent include an application for a patent that has been published under section 16.

**70F Supplementary: proceedings for delivery up etc.**

- (1) In section 70(1)(b) the reference to proceedings for infringement of a patent includes a reference to proceedings for an order under section 61(1)(b) (proceedings for infringement of patent: order to deliver up or destroy patented products etc).
- (2) References in sections 70A to 70C to “infringement” in relation to proceedings mentioned in subsection (1) are references to the infringement by reason of which the products or articles to which the proceedings relate are products in relation to which the patent is, or is suspected of being, infringed or articles in which such a product is inextricably comprised.”

(Signed) DAVID BEAN, Chairman

DAVID ORMEROD

NICHOLAS HOPKINS

NICHOLAS PAINES

STEPHEN LEWIS

ELAINE LORIMIER, Chief Executive

8 October 2015

# APPENDIX A: THE CURRENT LAW

## PATENTS ACT 1977

### Section 70

70.— Remedy for groundless threats of infringement proceedings.

(1) Where a person (whether or not the proprietor of, or entitled to any right in, a patent) by circulars, advertisements or otherwise threatens another person with proceedings for any infringement of a patent, a person aggrieved by the threats (whether or not he is the person to whom the threats are made) may, subject to subsection (4) below, bring proceedings in the court against the person making the threats, claiming any relief mentioned in subsection (3) below.

(2) In any such proceedings the claimant or pursuer shall, subject to subsection (2A) below, be entitled to the relief claimed if he proves that the threats were so made and satisfies the court that he is a person aggrieved by them.

(2A) If the defendant or defender proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a patent—

(a) the claimant or pursuer shall be entitled to the relief claimed only if he shows that the patent alleged to be infringed is invalid in a relevant respect;

(b) even if the claimant or pursuer does show that the patent is invalid in a relevant respect, he shall not be entitled to the relief claimed if the defendant or defender proves that at the time of making the threats he did not know, and had no reason to suspect, that the patent was invalid in that respect.

(3) The said relief is—

(a) a declaration or declarator to the effect that the threats are unjustifiable;

(b) an injunction or interdict against the continuance of the threats; and

(c) damages in respect of any loss which the claimant or pursuer has sustained by the threats.

(4) Proceedings may not be brought under this section for—

(a) a threat to bring proceedings for an infringement alleged to consist of making or importing a product for disposal or of using a process, or

(b) a threat, made to a person who has made or imported a product for disposal or used a process, to bring proceedings for an infringement alleged to consist of doing anything else in relation to that product or process.

(5) For the purposes of this section a person does not threaten another person with proceedings for infringement of a patent if he merely—

(a) provides factual information about the patent,

(b) makes enquiries of the other person for the sole purpose of discovering whether, or by whom, the patent has been infringed as mentioned in subsection (4)(a) above, or

(c) makes an assertion about the patent for the purpose of any enquiries so made.

(6) In proceedings under this section for threats made by one person (A) to another (B) in respect of an alleged infringement of a patent for an invention, it shall be a defence for A to prove that he used his best endeavours, without success, to discover—

(a) where the invention is a product, the identity of the person (if any) who made or (in the case of an imported product) imported it for disposal;

(b) where the invention is a process and the alleged infringement consists of offering it for use, the identity of a person who used the process;

(c) where the invention is a process and the alleged infringement is an act falling within section 60(1)(c) above, the identity of the person who used the process to produce the product in question;

and that he notified B accordingly, before or at the time of making the threats, identifying the endeavours used.

## **Section 77**

77.— Effect of European patent (UK).

(1) Subject to the provisions of this Act, a European patent (UK) shall, as from the publication of the mention of its grant in the European Patent Bulletin, be treated for the purposes of Parts I and III of this Act as if it were a patent under this Act granted in pursuance of an application made under this Act and as if notice of the grant of the patent had, on the date of that publication, been published under section 24 above in the journal; and—



(a) the proprietor of a European patent (UK) shall accordingly as respects the United Kingdom have the same rights and remedies, subject to the same conditions, as the proprietor of a patent under this Act;

## **TRADE MARKS ACT 1994**

### **Section 21**

21.— Remedy for groundless threats of infringement proceedings.

(1) Where a person threatens another with proceedings for infringement of a registered trade mark other than—

- (a) the application of the mark to goods or their packaging,
- (b) the importation of goods to which, or to the packaging of which, the mark has been applied, or
- (c) the supply of services under the mark,

any person aggrieved may bring proceedings for relief under this section.

(2) The relief which may be applied for is any of the following—

- (a) a declaration that the threats are unjustifiable,
- (b) an injunction against the continuance of the threats,
- (c) damages in respect of any loss he has sustained by the threats;

and the plaintiff is entitled to such relief unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned.

(3) If that is shown by the defendant, the plaintiff is nevertheless entitled to relief if he shows that the registration of the trade mark is invalid or liable to be revoked in a relevant respect.

(4) The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purposes of this section.

## **COMMUNITY TRADE MARK REGULATIONS 2006**

### **Regulation 6**

6.— Groundless threats of infringement proceedings

(1) The provisions of section 21 apply in relation to a Community trade mark as they apply to a registered trade mark.

(2) However, in the application of those provisions in relation to an international trade mark (EC)—

(a) the reference in section 21(3) to the registration of the trade mark shall be treated as a reference to the protection of the international trade mark (EC);

(b) the reference in section 21(4) to notification that a trade mark is registered, shall be treated as a reference to notification that a trade mark is an international trade mark (EC); and

(c) the reference in section 21(4) to notification that an application for registration has been made, shall be treated as a reference to notification that a trade mark is the subject of an international application or international registration designating the European Community.

## **REGISTERED DESIGNS ACT 1949**

### **Section 26**

26.— Remedy for groundless threats of infringement proceedings.

(1) Where any person (whether entitled to or interested in a registered design or an application for registration of a design or not) by circulars, advertisements or otherwise threatens any other person with proceedings for infringement of the right in a registered design, any person aggrieved thereby may bring an action against him for any such relief as is mentioned in the next following subsection.

(2) Unless in any action brought by virtue of this section the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute, an infringement of the right in a registered design the registration of which is not shown by the claimant to be invalid, the claimant shall be entitled to the following relief, that is to say:—

- **a declaration to the effect that the threats are unjustifiable;**
- **an injunction against the continuance of the threats; and**
- **such damages, if any, as he has sustained thereby.**

(2A) Proceedings may not be brought under this section in respect of a threat to bring proceedings for an infringement alleged to consist of the making or importing of anything.

(3) For the avoidance of doubt it is hereby declared that a mere notification that a design is registered does not constitute a threat of proceedings within the meaning of this section.

## **COPYRIGHT DESIGNS AND PATENTS ACT 1988**

### **Section 253**

253.— Remedy for groundless threats of infringement proceedings.

(1) Where a person threatens another person with proceedings for infringement of design right, a person aggrieved by the threats may bring an action against him claiming—

- (a) a declaration to the effect that the threats are unjustifiable;
- (b) an injunction against the continuance of the threats;
- (c) damages in respect of any loss which he has sustained by the threats.

(2) If the plaintiff proves that the threats were made and that he is a person aggrieved by them, he is entitled to the relief claimed unless the defendant shows that the acts in respect of which proceedings were threatened did constitute, or if done would have constituted, an infringement of the design right concerned.

(3) Proceedings may not be brought under this section in respect of a threat to bring proceedings for an infringement alleged to consist of making or importing anything.

(4) Mere notification that a design is protected by design right does not constitute a threat of proceedings for the purposes of this section.

## **COMMUNITY DESIGN RIGHT REGULATIONS 2006**

### **Regulation 2**

2.— Remedy for groundless threats of infringement proceedings

(1) Where any person (whether entitled to or interested in a Community design or not) by circulars, advertisements or otherwise threatens any other person with proceedings for infringement of a Community design, any person aggrieved thereby may bring an action against him for any such relief as is mentioned in paragraph (2).

(2) Subject to paragraphs (3) and (4), the claimant shall be entitled to the following relief—

- (a) a declaration to the effect that the threats are unjustifiable;
- (b) an injunction against the continuance of the threats; and
- (c) such damages, if any, as he has sustained by reason of the threats.

(3) If the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a registered Community design the claimant shall be entitled to the relief claimed only if he shows that the registration is invalid.

(4) If the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of an unregistered Community design the claimant shall not be entitled to the relief claimed.

(5) Proceedings may not be brought under this regulation in respect of a threat to bring proceedings for an infringement alleged to consist of the making or importing of anything.

(6) Mere notification that a design is—

(a) a registered Community design; or

(b) protected as an unregistered Community design,

does not constitute a threat of proceedings for the purpose of this regulation.

(6A) In relation to a design protected by virtue of an international registration designating the Community, the reference in paragraph (3) to a registration being invalid includes a reference to the effects of the international registration being declared invalid in accordance with Article 106f of the Community Design Regulation.

## APPENDIX B: THE 2014 AND 2015 RECOMMENDATIONS

- B.1 In the first part to this Appendix we set out the recommendations as published in the 2014 report.<sup>1</sup> The paragraph numbers referred to in the square brackets identify where in the particular recommendation appears within the body of the report. In the second part we set out the two new recommendations made in this report.<sup>2</sup>

### THE NEED FOR REFORM

- B.2 We recommend that protection against groundless threats of infringement proceedings should be retained. **[paragraph 3.26]**
- B.3 We recommend that groundless threats protection should continue to apply to UK and Community unregistered design rights. **[paragraph 3.45]**
- B.4 We recommend that the law of groundless threats of patent, trade mark and design rights infringement should be reformed. **[paragraph 3.101]**

### EXCLUDING THREATS MADE TO PRIMARY ACTORS

- B.5 We recommend that a groundless threats action may not be brought for threats to bring proceedings for infringement made to a primary actor, that is a person who has carried out, or intends to carry out the following:

#### For patents

- (1) The making or importing of a product for disposal, even where the threat refers to any other act in relation to that product.
- (2) The use of a process, even where the threat refers to any other act in relation to that process.

#### For registered and unregistered design rights

- (3) The making or importing of an article or product for disposal, even where the threat refers to any other act in relation to that article or product.

#### For trade marks

- (4) The application of a mark, or causing a mark to be applied, to goods or their packaging, even where the threat refers to any other act in relation to those goods.

<sup>1</sup> Patents Trade Marks and Design Rights: Groundless Threats (2014) Law Commission Report No 346, chapter 10.

<sup>2</sup> At chapter {2}, paras { }.

- (5) The importation for disposal of goods to which, or to the packaging of which, the mark has been applied, even where the threat refers to any other act in relation to those goods.
- (6) The supply of services under the mark, even where the threat refers to any other act in relation to the supply of those services. **[paragraph 5.94]**

B.6 We recommend that threats proceedings may not be brought for a threat to bring infringement proceedings:

- (1) For design rights, for the making or importing of anything “for disposal”.
- (2) For trade marks, for the application of the mark to goods or their packaging or for “causing the mark to be applied”.
- (3) For trade marks, for the importation “for disposal” of goods to which, or to the packaging of which, the mark has been applied. **[paragraph 5.99]**

#### **LEGITIMATE COMMUNICATIONS WITH SECONDARY ACTORS**

B.7 We recommend that communications should be excluded from the groundless threats provisions if they are made for a legitimate commercial purpose, and if the information given is necessary for that purpose.

B.8 The statute should provide examples of legitimate commercial purposes. These should include:

- (1) enquiries for the sole purpose of discovering whether, and by whom, the patent has been infringed; and
- (2) where a rights holder has a remedy which depends on the infringer being aware of the right, the rights holder may alert a potential infringer of the right.

B.9 The statute should provide examples of the information which may be communicated. These should include:

- (1) that the right exists;
- (2) that the right is in force;
- (3) details of the right including, where appropriate, copies of any registration, specifications or drawings; where details are given, they must include any limitations or other restrictions on the right; and
- (4) information to identify the goods and to make appropriate enquiries.

- B.10 The exclusion should apply only where the person seeking to rely on it has reasonable grounds for believing that the information communicated is true. The burden of showing there are reasonable grounds is on the person seeking to rely on the exclusion. **[paragraphs 6.113 to 6.118]**
- B.11 We recommend that, for patents, the current defence for making threats to secondary actors is retained but reformed to the extent that the threatener must use reasonable endeavours to discover the primary actor.
- B.12 We recommend that, for trade marks, where threats of infringement proceedings are made by a person to another who would be entitled to bring a threats action, it will be a defence for the person making the threat to show that they have used reasonable endeavours to locate, without success:
- (1) the person who has applied the mark or caused the mark to be applied to goods or their packaging;
  - (2) the person who has imported such goods; or
  - (3) the person who has supplied services under the mark.
- B.13 We recommend that, for registered and unregistered design rights, where threats of infringement proceedings are made by a person to another who would be entitled to bring a threats action, it will be a defence for the person making the threat to show that they have used reasonable endeavours to locate, without success:
- (1) the person who has made the product or article; or
  - (2) the person who has imported the product or article.
- B.14 We recommend that – for patents, trade marks, registered and unregistered design rights – the person making the threat shall inform the person threatened either before or at the time of making the threat of the reasonable endeavours used to find the persons identified in the proposals set out above, and provide sufficient detail for the person threatened to identify what those steps were. **[paragraphs 6.131 to 6.134]**
- B.15 We recommend that section 70(2A)(b) of the Patents Act 1977 should be repealed. **[paragraph 6.141]**

#### **PROFESSIONAL ADVISER LIABILITY AND OTHER ISSUES**

- B.16 We recommend that a lawyer, registered patent attorney or registered trade mark attorney should not be liable for making threats where they have acted in their professional capacity and on instructions from their client. **[paragraph 7.14]**

- B.17 We recommend that claims for the delivery up of goods, articles or products should be treated as proceedings for infringement for the purposes of the threats provisions for patents, trade marks and design rights. **[paragraph 7.38]**

#### **THE 2015 RECOMMENDATIONS**

- B.18 We recommend that section 70 of the Patents Act 1977 should apply to Unitary Patents and to European Patents (UK) that have not opted out of the jurisdiction of the Unified Patent Court during the transitional period.
- B.19 We recommend the new test for a threat of infringement proceedings which is that a reasonable person in the position of a recipient would understand from the communication that a person –
- (1) Has a right in a Unitary Patent, European Patent (UK) or national patent, Community trade mark or national trade mark, Community registered or unregistered design or national registered or unregistered design; and
  - (2) Intends to bring proceedings against another person for infringement of one or more of those rights by
    - (a) An act done in the United Kingdom, or
    - (b) An act which, if done, would be done in the United Kingdom



## **APPENDIX C**

### **THE BILL**

The draft Intellectual Property (Unjustified Threats) Bill begins over the page with a contents page. The provisions of the draft Bill are then set out.

# Intellectual Property (Unjustified Threats)

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## CONTENTS

### *Patents*

- 1 Patents

### *Trade marks*

- 2 Trade marks
- 3 Community trade marks

### *Registered designs, design right and Community design*

- 4 Registered designs
- 5 Design right
- 6 Community design

### *Final provisions*

- 7 Extent
- 8 Commencement
- 9 Short title

A  
**B I L L**

TO

Amend the law relating to actionable threats to bring proceedings for infringement of patents, registered trade marks, rights in registered designs, design right or Community designs.

**B**E IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

*Patents*

**1 Patents**

- (1) The Patents Act 1977 is amended as follows.
- (2) For section 70 (remedy for unjustified threats of infringement proceedings) substitute—

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*“Unjustified threats*

**70 Threats of infringement proceedings**

- (1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—
  - (a) a patent exists, and
  - (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the patent by—
    - (i) an act done in the United Kingdom, or
    - (ii) an act which, if done, would be done in the United Kingdom.
- (2) References in this section and in sections 70A to 70C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

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**70A Actionable threats**

- (1) - Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of— 5
- (a) where the invention is a product, making a product for disposal or importing a product for disposal, or
  - (b) where the invention is a process, using a process.
- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b). 10
- (4) A threat of infringement proceedings is not actionable if the threat— 15
- (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to a product or process, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to that product or process.
- (5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication. 20
- (6) In sections 70C and 70D “an actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

**70B Permitted communications**

- (1) - For the purposes of section 70A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if— 25
- (a) - the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose, 30
  - (b) - all of the information that relates to the threat is information that—
    - (i) - is necessary for that purpose (see subsection (5)), and
    - (ii) - the person making the communication reasonably believes is true. 35
- (2) - Each of the following is a “permitted purpose” —
- (a) - giving notice that a patent exists;
  - (b) - discovering whether, or by whom, a patent has been infringed by an act mentioned in section 70A(2)(a) or (b);
  - (c) - giving notice that a person has a right in or under a patent, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the patent. 40
- (3) - The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so. 45
- (4) - But the following may not be treated as a “permitted purpose” —

- (a) requesting a person to cease doing, for commercial purposes, anything in relation to a product or process,
  - (b) requesting a person to deliver up or destroy a product, or
  - (c) requesting a person to give an undertaking relating to a product or process. 5
- (5) Examples of information that may be regarded as necessary for a permitted purpose include –
- (a) a statement that a patent exists and is in force or that an application for a patent has been made;
  - (b) details of the patent, or of a right in or under the patent, which – 10
    - (i) are accurate in all material respects, and
    - (ii) are not misleading in any material respect; and
  - (c) information enabling the identification of the products or processes in respect of which it is alleged that acts infringing the patent have been carried out. 15

### 70C Remedies and defences

- (1) - Proceedings in respect of an actionable threat may be brought against the person who made the threat for –
- (a) - a declaration that the threat is unjustified;
  - (b) - an injunction against the continuance of the threat; 20
  - (c) - damages in respect of any loss sustained by the aggrieved person by reason of the threat.
- (2) - In the application of subsection (1) to Scotland –
- (a) - “declaration” means “declarator”, and
  - (b) - “injunction” means “interdict”. 25
- (3) - It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the patent.
- (4) - It is a defence for the person who made the threat (T) to show –
- (a) - that T used all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in section 70A(2)(a) or (b) in relation to the product or the use of a process which is the subject of the threat, and 30
  - (b) - that T notified the recipient, before or at the time of making the threat, of those steps. 35

### 70D Professional advisers

- (1) - Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met. 40
- (2) - In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat –
- (a) - is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and
  - (b) - is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more 45

regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

- (3) - The conditions are that—
- (a) - in making the communication the professional adviser is acting on the instructions of another person; and
  - (b) - when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.
- (4) - This section does not affect any liability of the person on whose instructions the professional adviser is acting.
- (5) - It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—
- (a) - the person concerned was acting as a professional adviser, and
  - (b) - the conditions in subsection (3) were met.

#### **70E Supplementary: pending registration**

In sections 70 to 70C references to a patent include an application for a patent that has been published under section 16.

#### **70F Supplementary: proceedings for delivery up etc.**

- (1) - In section 70(1)(b) the reference to proceedings for infringement of a patent includes a reference to proceedings for an order under section 61(1)(b) (proceedings for infringement of patent: order to deliver up or destroy patented products etc).
- (2) - References in sections 70A to 70C to “infringement” in relation to proceedings mentioned in subsection (1) are references to the infringement by reason of which the products or articles to which the proceedings relate are products in relation to which the patent is, or is suspected of being, infringed or articles in which such a product is inextricably comprised.”
- (3) - Before section 71 insert—
- “Declaration or declarator as to non-infringement”.*
- (4) - In section 74 (proceedings in which validity of a patent may be put in issue) in subsection (1)(a), for “under section 70” substitute “in respect of an actionable threat under section 70A”. -
- (5) - In section 78 (effect of filing an application for a European patent), in subsection (2) insert (in the appropriate place) “sections 70 to 70F”.
- (6) - In section 106 (costs and expenses in proceedings before the Court) in subsection (1A)(c), for “under section 70” substitute “in respect of an actionable threat under section 70A”. -

### *Trade marks*

## **2 Trade marks**

- (1) - The Trade Marks Act 1994 is amended as follows.

- (2) For section 21 (remedy for unjustified threats of infringement proceedings) substitute –

*“Unjustified threats*

**21 Threats of infringement proceedings**

- (1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that –
- (a) a registered trade mark exists, and
  - (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the registered trade mark by –
    - (i) an act done in the United Kingdom, or
    - (ii) an act which, if done, would be done in the United Kingdom.
- (2) References in this section and in sections 21A to 21C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

**21A Actionable threats**

- (1) Subject to subsections (2) to (6), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of –
- (a) applying, or causing another person to apply, a sign to goods or their packaging,
  - (b) importing, for disposal, goods to which, or to the packaging of which, a sign has been applied, or
  - (c) supplying services under a sign.
- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a), (b) or (c).
- (4) A threat of infringement proceedings is not actionable if the threat –
- (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to goods or their packaging, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to those goods or their packaging.
- (5) A threat of infringement proceedings is not actionable if the threat –
- (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(c) in relation to services, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to those services.

- (6) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.
- (7) In sections 21C and 21D “an actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

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## 21B Permitted communications

- (1) - For the purposes of section 21A(6), a communication containing a threat of infringement proceedings is a “permitted communication” if –
- (a) - the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose, and 10
  - (b) - all of the information that relates to the threat is information that –
    - (i) - is necessary for that purpose (see subsection (5)), and
    - (ii) - the person making the communication reasonably believes is true. 15
- (2) - Each of the following is a “permitted purpose” –
- (a) - giving notice that a registered trade mark exists;
  - (b) - discovering whether, or by whom, a registered trade mark has been infringed by an act mentioned in section 21A(2)(a), (b) or (c); 20
  - (c) - giving notice that a person has a right in or under a registered trade mark, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the registered trade mark. 25
- (3) - The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.
- (4) - But the following may not be treated as a “permitted purpose” –
- (a) - requesting a person to cease using, in the course of trade, a sign in relation to goods or services, 30
  - (b) - requesting a person to deliver up or destroy goods, or
  - (c) - requesting a person to give an undertaking relating to the use of a sign in relation to goods or services.
- (5) - Examples of information that may be regarded as necessary for a permitted purpose include – 35
- (a) - a statement that a registered trade mark exists and is in force or that an application for the registration of a trade mark has been made;
  - (b) - details of the registered trade mark, or of a right in or under the registered trade mark, which – 40
    - (i) - are accurate in all material respects, and
    - (ii) - are not misleading in any material respect; and
  - (c) - information enabling the identification of the goods or their packaging, or the services, in relation to which it is alleged that the use of a sign constitutes an infringement of the registered trade mark. 45



**21C Remedies and defences**

- (1) - Proceedings in respect of an actionable threat may be brought against the person who made the threat for –
- (a) a declaration that the threat is unjustified;
  - (b) an injunction against the continuance of the threat; 5
  - (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.
- (2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the registered trade mark. 10
- (3) It is a defence for the person who made the threat (T) to show –
- (a) that T took all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in section 21A(2)(a), (b) or (c) in relation to the goods or their packaging or the services which are the subject of the threat; and 15
  - (b) that T notified the recipient, before or at the time of making the threat, of those steps.

**21D Professional advisers**

- (1) - Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met. 20
- (2) - In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat –
- (a) - is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and 25
  - (b) - is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means). 30
- (3) - The conditions are that –
- (a) - in making the communication the professional adviser is acting on the instructions of another person; and
  - (b) - when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting. 35
- (4) - This section does not affect any liability of the person on whose instructions the professional adviser is acting.
- (5) - It is for a person asserting that subsection (1) applies to prove (if required) that at the material time – 40
- (a) - the person concerned was acting as a professional adviser, and
  - (b) - the conditions in subsection (3) were met.

**21E Supplementary: pending registration**

In sections 21 to 21C references to a registered trade mark include references to a trade mark in respect of which an application for registration has been published under section 38. 45

**21F Supplementary: proceedings for delivery up etc.**

- (1) In section 21(1)(b) the reference to proceedings for infringement of a registered trade mark includes a reference to –
- (a) proceedings for an order under section 16 (order for delivery up of infringing goods, material or articles), and 5
  - (b) proceedings for an order under section 19 (order as to disposal of infringing goods, material or articles).
- (2) References in sections 21A to 21C to “infringement” in relation to proceedings for an order under section 16 or 19 are references to the infringement by reason of which the goods, material or articles to which the proceedings relate are “infringing goods, material or articles” (as defined in section 17). 10
- (3) In section 52(3)(a) (power to provide for the application of certain provisions in relation to a Community trade mark) for sub-paragraph (i) substitute – “(i) sections 21 to 21F (unjustified threats);”. 15
- (4) In section 54(3) (power to provide for the application of certain provisions in relation to an international trade mark (UK) for paragraph (a) substitute – “(a) sections 21 to 21F (unjustified threats);”.

**3 Community trade marks**

- (1) Regulation 6 of the Community Trade Mark Regulations 2006 (S.I. 2006/1027) (unjustified threats of infringement proceedings) is amended as follows. 20
- (2) In paragraph (1), for “section 21” substitute “sections 21 to 21D and section 21F”.
- (3) After paragraph (1) insert –
- “(1A) In the application of sections 21 to 21C in relation to a Community trade mark, references to a registered trade mark are to be treated as references to a Community trade mark in respect of which an application has been published in accordance with Article 39 of Council Regulation (EC) No 207/2009.” 25
- (4) For paragraph (2) substitute – 30
- (2) In the application of sections 21 to 21C in relation to an international trade mark (EC), references to a registered trade mark are to be treated as references to an international trade mark (EC) in respect of which particulars of an international registration designating the European Union have been published in accordance with Article 152 of Council Regulation (EC) No 207/2009.” 35
- (5) For the heading substitute “Unjustified threats”.

*Registered designs, design right and Community design***4 Registered designs**

- (1) The Registered Designs Act 1949 is amended as follows. 40

- (2) For the heading before sections 24A to 28 substitute –

*“Legal proceedings: general”.*

- (3) For section 26 (remedy for unjustified threats of infringement proceedings) substitute –

*“Unjustified threats* 5

## **26 Threats of infringement proceedings**

- (1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that –
- (a) a registered design exists, and 10
  - (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the right in the registered design by –
    - (i) an act done in the United Kingdom, or
    - (ii) an act which, if done, would be done in the United Kingdom. 15
- (2) References in this section and in sections 26A to 26C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed. 20

### **26A Actionable threats**

- (1) Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of – 25
- (a) making a product for disposal, or
  - (b) importing a product for disposal.
- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b). 30
- (4) A threat of infringement proceedings is not actionable if the threat – 35
- (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to a product, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to that product.
- (5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication. 40
- (6) In sections 26C and 26D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

**26B Permitted communications**

- (1) For the purposes of section 26A(5), a communication containing a threat of infringement proceedings is a “permitted communication” (in relation to that threat) if –
- (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose, 5
  - (b) all of the information that relates to the threat is information that –
    - (i) is necessary for that purpose (see subsection (5)), and
    - (ii) the person making the communication reasonably believes is true. 10
- (2) Each of the following is a “permitted purpose” –
- (a) giving notice that a registered design exists;
  - (b) discovering whether, or by whom, the right in a registered design has been infringed by an act mentioned in section 26A(2)(a) or (b); 15
  - (c) giving notice that a person has a right in or under a registered design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the registered design. 20
- (3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.
- (4) But the following may not be treated as a “permitted purpose” –
- (a) requesting a person to cease doing, for commercial purposes, anything in relation to a product in which a design is incorporated or to which it is applied, 25
  - (b) requesting a person to deliver up or destroy a product in which a design is incorporated or to which it is applied, or
  - (c) requesting a person to give an undertaking relating to a product in which a design is incorporated or to which it is applied. 30
- (5) Examples of information that may be regarded as necessary for a permitted purpose include –
- (a) a statement that a right in a registered design exists and is in force or that an application for registration of a design has been made; 35
  - (b) details of the registered design, or of a right in or under the right in the registered design, which –
    - (i) are accurate in all material respects, and
    - (ii) are not misleading in any material respect; or 40
  - (c) information enabling the identification of the products in which the registered design is allegedly incorporated or to which the registered design is allegedly applied.

**26C Remedies and defences**

- (1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for – 45
- (a) a declaration that the threat is unjustified;
  - (b) an injunction against the continuance of the threat;

- (c) - damages in respect of any loss sustained by the aggrieved person by reason of the threat.
- (2) - It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the right in the registered design. 5
- (3) - It is a defence for the person who made the threat (T) to show –
  - (a) - that T took all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in section 26A(2)(a) or (b) in relation to the product which is the subject of the threat, and 10
  - (b) - that T notified the recipient, before or at the time of making the threat, of those steps.

#### **26D Professional advisers**

- (1) - Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met. 15
- (2) - In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat – -
  - (a) - is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and 20
  - (b) - is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means). 25
- (3) - The conditions are that –
  - (a) - in making the communication the professional adviser is acting on the instructions of another person; and
  - (b) - when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting. 30
- (4) - This section does not affect any liability of the person on whose instructions the professional adviser is acting. -
- (5) - It is for a person asserting that subsection (1) applies to prove (if required) that at the material time – 35
  - (a) - the person concerned was acting as a professional adviser, and
  - (b) - the conditions in subsection (3) were met.

#### **26E Supplementary: pending registration**

In sections 26 to 26C references to a registered design include references to a design in respect of which an application for registration has been made under section 3. 40

#### **26F Supplementary: proceedings for delivery up etc.**

- (1) - In section 26(1)(b) the reference to proceedings for infringement of the right in a registered design includes a reference to – -
  - (a) - proceedings for an order under section 24C (order for delivery up), and 45

- (b) proceedings for an order under section 24D (order as to disposal of infringing articles).
- (2) References in sections 26A to 26C to “infringement” in relation to proceedings for an order under section 24C or 24D are references to the infringement by reason of which the articles to which the proceedings relate are, or would be, “infringing articles” (as defined in section 24G).” 5
- (4) Before section 27 insert –
- “Meaning of “the court” and appeals”.*
- (5) In section 45 (application to Scotland) after subsection (1) insert – 10
- “(1A) In the application of section 26C(1)(a) (remedy for unjustified threat of infringement proceedings) to Scotland, “declaration” means “declarator”.”
- 5 Design right**
- (1) Part 3 of the Copyright, Designs and Patents Act 1988 (design right) is amended as follows. 15
- (2) For section 253 (remedy for unjustified threats of infringement proceedings), and the heading immediately before that section, substitute –
- “Unjustified threats*
- 253 Threats of infringement proceedings** 20
- (1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that –
- (a) design right subsists in a design, and
- (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the design right by – 25
- (i) an act done in the United Kingdom, or
- (ii) an act which, if done, would be done in the United Kingdom. 30
- (2) References in this section and in sections 253A to 253C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.
- 253A Actionable threats** 35
- (1) Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of – 40
- (a) making an article for disposal; or
- (b) importing an article for disposal.

- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b).
- (4) A threat of infringement proceedings is not actionable if the threat – 5
- (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to an article, and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to that article.
- (5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication. 10
- (6) In sections 253C and 253D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.
- 253B Permitted communications** 15
- (1) For the purposes of section 253A(5), a communication containing a threat of infringement proceedings is a “permitted communication” (in relation to that threat) if –
- (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose, and 20
  - (b) all of the information that relates to the threat is information that –
    - (i) is necessary for that purpose (see subsection (5)), and
    - (ii) the person making the communication reasonably believes is true. 25
- (2) Each of the following is a “permitted purpose” –
- (a) giving notice that design right subsists in a design;
  - (b) discovering whether, or by whom, design right in a design has been infringed by an act mentioned in section 253A(2)(a) or (b);
  - (c) giving notice that a person has a right in or under the design right in a design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the design right in the design. 30
- (3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so. 35
- (4) But the following may not be treated as a “permitted purpose” –
- (a) requesting a person to cease doing, for commercial purposes, anything in relation to an article made to a design,
  - (b) requesting a person to deliver up or destroy an article made to a design, or 40
  - (c) requesting a person to give an undertaking relating to an article made to a design.
- (5) Examples of information that may be regarded as necessary for a permitted purpose may include – 45
- (a) a statement that design right subsists in a design;

- (b) - details of the design, or of a right in or under the design right in the design, which –
  - (i) - are accurate in all material respects, and
  - (ii) - are not misleading in any material respect; or
- (c) - information enabling the identification of articles that are alleged to be infringing articles in relation to the design. 5

### 253C Remedies and defences

- (1) - Proceedings in respect of an actionable threat may be brought against the person who made the threat for –
  - (a) - a declaration that the threat is unjustified, 10
  - (b) - an injunction against the continuance of the threat,
  - (c) - damages in respect of any loss sustained by the aggrieved person by reason of the threat.
- (2) - It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of design right. 15
- (3) - It is a defence for the person who made the threat (T) to show –
  - (a) - that T took all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in section 253A(2)(a) or (b) in relation to the article which is the subject of the threat, and 20
  - (b) - that T notified the recipient, before or at the time of making the threat, of those steps.

### 253D Professional advisers

- (1) - Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met. 25
- (2) - In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat –
  - (a) - is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and
  - (b) - is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means). 30
- (3) - The conditions are that –
  - (a) - in making the communication the professional adviser is acting on the instructions of another person; and 40
  - (b) - when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.
- (4) - This section does not affect any liability of the person on whose instructions the professional adviser is acting.
- (5) - It is for a person asserting that subsection (1) applies to prove (if required) that at the material time – 45



- (a) the person concerned was acting as a professional adviser, and
- (b) the conditions in subsection (3) were met.

### **253E Supplementary: proceedings for delivery up etc.**

- (1) In section 253(1)(b) the reference to proceedings for infringement of design right includes a reference to – 5
  - (a) proceedings for an order under section 230 (order for delivery up), and
  - (b) proceedings for an order under section 231 (order as to disposal of infringing articles).
- (2) References in sections 253A to 253C to “infringement” in relation to proceedings for an order under section 230 or 231 are references to the infringement by reason of which the articles to which the proceedings relate are, or would be, “infringing articles” (as defined in section 228).” 10
- (3) Before section 254 insert –
  - “*Licensee under licence of right not to claim connection with design right owner*”. 15
- (4) In section 262 (adaptation of expressions in relation to Scotland) at the appropriate place insert –
  - ““declaration” means “declarator””;

## **6 Community design**

- (1) The Community Design Regulations 2005 (S.I. 2005/2339) are amended as follows. 20
- (2) For regulation 2 (remedy for unjustified threats of infringement proceedings) substitute –
  - “2 Unjustified threats: threats of infringement proceedings**
  - (1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that – 25
    - (a) a Community design exists (whether a registered Community design or a design protected as an unregistered Community design), and 30
    - (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the Community design by –
      - (i) an act done in the United Kingdom, or
      - (ii) an act which, if done, would be done in the United Kingdom. 35
  - (2) References in this regulation and in regulations 2A to 2C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed. 40

**2A Unjustified threats: actionable threats**

- (1) Subject to paragraphs (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.
- (2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of— 5  
 (a) making an article for disposal, or  
 (b) importing an article for disposal.
- (3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in paragraph (2)(a) or (b). 10
- (4) A threat of infringement proceedings is not actionable if the threat—  
 (a) is made to a person who has done, or intends to do, an act mentioned in paragraph (2)(a) or (b) in relation to an article, and 15  
 (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to that article.
- (5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.
- (6) In regulations 2C and 2D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this regulation. 20

**2B Unjustified threats: permitted communications**

- (1) For the purposes of regulation 2A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if— 25  
 (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose,  
 (b) all of the information that relates to the threat is information that— 30  
 (i) is necessary for that purpose (see subsection (5)), and  
 (ii) the person making the communication reasonably believes is true.
- (2) Each of the following is a “permitted purpose” — 35  
 (a) giving notice that a Community design exists;  
 (b) discovering whether, or by whom, a Community design has been infringed by an act mentioned in regulation 2A(2)(a) or (b);  
 (c) giving notice that a person has a right in or under a Community design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the Community design. 40
- (3) The court may, having regard to the nature of the purposes listed in paragraph (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.
- (4) But the following may not be treated as a “permitted purpose”— 45

- (a) requesting a person to cease doing, for commercial purposes, anything in relation to an article made to a design, in which a design is incorporated or to which it is applied,
  - (b) requesting a person to deliver up or destroy an article made to a design, in which a design is incorporated or to which it is applied, or 5
  - (c) requesting a person to give an undertaking relating to an article made to a design, in which a design is incorporated or to which it is applied.
- (5) Examples of information that may be regarded as necessary for a permitted purpose include – 10
  - (a) a statement –
    - (i) that a design is a registered Community design and the registration is in force,
    - (ii) that an application for a registered Community design has been made, or 15
    - (iii) that a design is protected as an unregistered Community design;
  - (b) details of the Community design, or of a right in or under the Community design, which – 20
    - (i) are accurate in all material respects, and
    - (ii) are not misleading in any material respect;
  - (c) information enabling the identification of the article that is alleged to be infringing an article in relation to the design.
- 2C Unjustified threats: remedies and defences 25**
  - (1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for –
    - (a) a declaration that the threat is unjustified;
    - (b) an injunction against the continuance of the threat;
    - (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat. 30
  - (2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the Community design.
  - (3) It is a defence for the person who made the threat (T) to show – 35
    - (a) that T took all reasonable steps, without success, to discover the identity of a person who has done an act mentioned in regulation 2A(2)(a) or (b) in relation to the article which is the subject of the threat, and
    - (b) that T notified the recipient, before or at the time of making the threat, of those steps. 40
- 2D Unjustified threats: professional advisers**
  - (1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in paragraph (3) are met. 45

- (2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat –
- (a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney; and
  - (b) is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means). 5
- (3) The conditions are that – 10
- (a) in making the communication the professional adviser is acting on the instructions of another person; and
  - (b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.
- (4) This section does not affect any liability of the person on whose instructions the professional adviser is acting. 15
- (5) It is for a person asserting that paragraph (1) applies to prove (if required) that at the material time –
- (a) the person concerned was acting as a professional adviser, and
  - (b) the conditions in paragraph (3) were met. 20

## **2E Unjustified threats: supplementary: pending registration**

In the application of regulations 2 to 2C in relation to a registered Community design, references to a Community design include references to a Community design in respect of which an application for registration has been filed in accordance with Article 35 of the Community Design Regulation. 25

## **2F Unjustified threats: supplementary: proceedings for delivery up etc.**

- (1) In regulation 2(1)(b) the reference to proceedings for infringement of the Community design includes a reference to –
- (a) proceedings for an order under regulation 1B (order for delivery up), and
  - (b) proceedings for an order under regulation 1C (order as to disposal of infringing articles). 30
- (2) References in regulations 2A to 2C to “infringement” in relation to proceedings for an order under regulation 1B or 1C are references to the infringement by reason of which the articles to which the proceedings relate are, or would be, “infringing articles” (as defined in regulation 1D).” 35
- (3) In regulation 5A(1) (application to Scotland) at the appropriate place insert – ““declaration” means “declarator””;”. 40

### *Final provisions*

## **7 Extent**

- (1) This Act extends to England and Wales, Scotland and Northern Ireland.

- (2) The following provisions also extend to the Isle of Man, subject to such modifications as Her Majesty may by Order in Council provide—
- (a) section 1,
  - (b) section 2,
  - (c) section 4 5
  - (d) this subsection,
  - (e) section 8 (so far as relating to the commencement of provisions which extend to the Isle of Man),
  - (f) section 9.
- (3) The power to make an Order in Council under section 255(2) of the Copyright, Designs and Patents Act 1988 (extension of certain provisions to the Isle of Man, the Channel Islands or other territories, with or without modifications) may be exercised in relation to any amendment made by section 5 above (and in section 255(4) and (5) of that Act the references to Part 3 include references to the provisions substituted or inserted by the amendments made by section 5). 10 15

## 8 Commencement

- (1) This Act comes into force on such day or days as the Secretary of State may by regulations made by statutory instrument appoint.
- (2) Regulations under subsection (1) may— 20
- (a) appoint different days for different purposes;
  - (b) make transitional, transitory or saving provision.

## 9 Short title

This Act may be cited as the Intellectual Property (Unjustified Threats) Act 2016. 25

## **APPENDIX D MEMBERSHIP OF THE WORKING PARTIES AND GROUPS**

We received 9 consultation responses from trade, professional or industry bodies. Two of these included a breakdown of members who were involved in composing these responses. We list those members here.

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

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)

### **The City of London Law Society Intellectual Property Law Committee**

Joel Smith (Herbert Smith Freehills LLP) (Chairman)

RTJ 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)

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IC Lowe (Nabarro LLP)

R Mallinson (Taylor Wessing LLP)

Ms VG Marsland (Clifford Chance LLP)

Ms S Middlemiss (Slaughter and May)

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I Starr (Ashurst LLP)

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