



## PATENTS, TRADE MARKS AND DESIGN RIGHTS: GROUNDLESS THREATS

### RESPONSE TO QUESTIONS

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

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

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

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

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

Please return this form:

by email to: [intel.prop@lawcommission.gsi.gov.uk](mailto:intel.prop@lawcommission.gsi.gov.uk)  or

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

Tel: 020 3334 0292

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

#### Freedom of information statement


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

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

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

## YOUR DETAILS

Name of respondent:	
Type:	
Postal address:	
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Email:	
Confidentiality:	<p><b>Please read the Freedom of Information statement above before checking this box.</b></p> <p><i>I wish to keep this response confidential.</i></p> <p><i>Please explain why you regard the information as confidential:</i></p>



## INTRODUCTION

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

We would like comments and responses on the following questions.

**CHAPTER 7: PROBLEMS WITH THE LAW**

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

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

Yes:	No:	Other:
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**Question 2** Do other problems exist? (7.92)

Yes:	No:	Other:
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**Question 3** Do consultees agree that protection against groundless threats of infringement proceedings should be retained? (7.92)

Agree:	Disagree:	Other:
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**Question 4** If so, should this protection continue to apply to unregistered design right? (7.92)

Yes:	No:	Other:
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**Question 5** Do consultees agree that the law of groundless threats actions should be reformed? (7.92)

Agree:	Disagree:	Other:
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## CHAPTER 8: AN EVOLUTIONARY APPROACH

### Excluding threats to those who intend an act of primary infringement

#### *Patents*

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

Agree:	Disagree:	Other:

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

#### *Registered and unregistered design rights*

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

Agree:	Disagree:	Other:

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

Yes:	No:	Other:
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**Question 9** Should the legislation exclude threats made to any other parties, such as the designer who produced the design document? (8.16)

Yes:	No:	Other:
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***Trade marks***

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

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

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

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

Yes:	No:	Other:

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

Agree:	Disagree:	Other:

**Protection for legal advisers**

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

Agree:	Disagree:	Other:

**Legitimate approaches to secondary infringers**

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

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



***Mere notification and factual information***

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

Agree:	Disagree:	Other:
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***Enquires to track down the trade source***

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

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

Yes:	No:	Other:
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**Question 17** If so, should assertions about the right include the following:

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

Yes:	No:	Other:

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

Yes:	No:	Other:

**Notifications to those with an innocent infringement defence**

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

Agree:	Disagree:	Other:
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**Question 20** If so, should factual information about the right include the following:

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

Yes:	No:	Other:
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***Negotiations over licence terms***

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

Yes:	No:	Other:
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**Question 22** If so,

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

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

Yes:	No:	Other:
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**A requirement of good faith**

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

Yes:	No:	Other:
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**Threats to the secondary infringer where the primary infringer cannot be found**

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

Agree:	Disagree:	Other:
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**Question 26** If so, should the provisions state that:

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

Yes:	No:	Other:

**Invalid patents - the “good faith” defence**

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

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

Agree:	Disagree:	Other:

## CHAPTER 9: A WIDER APPROACH?

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

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

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

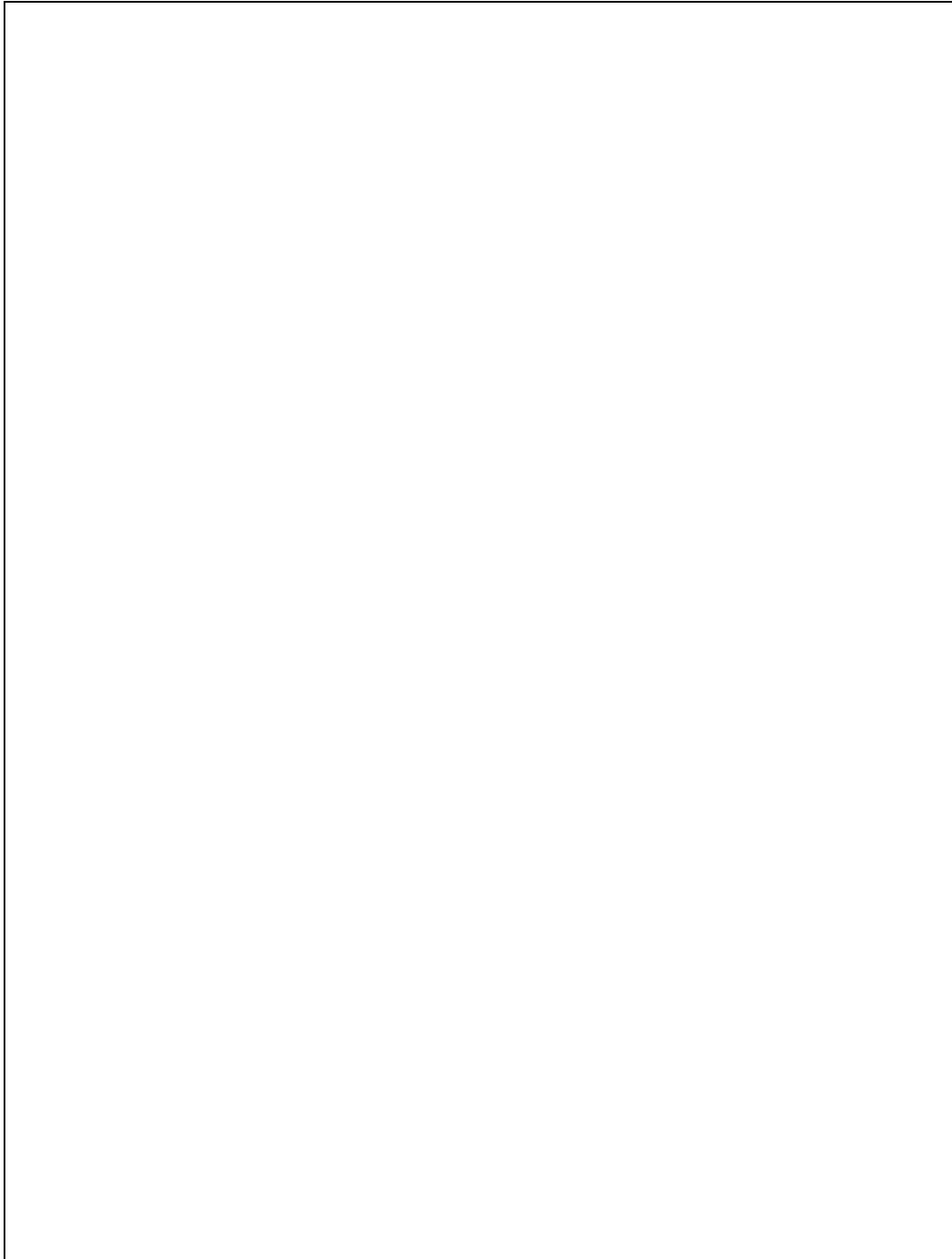
Yes:	No:	Other:

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

Yes:	No:	Other:

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

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





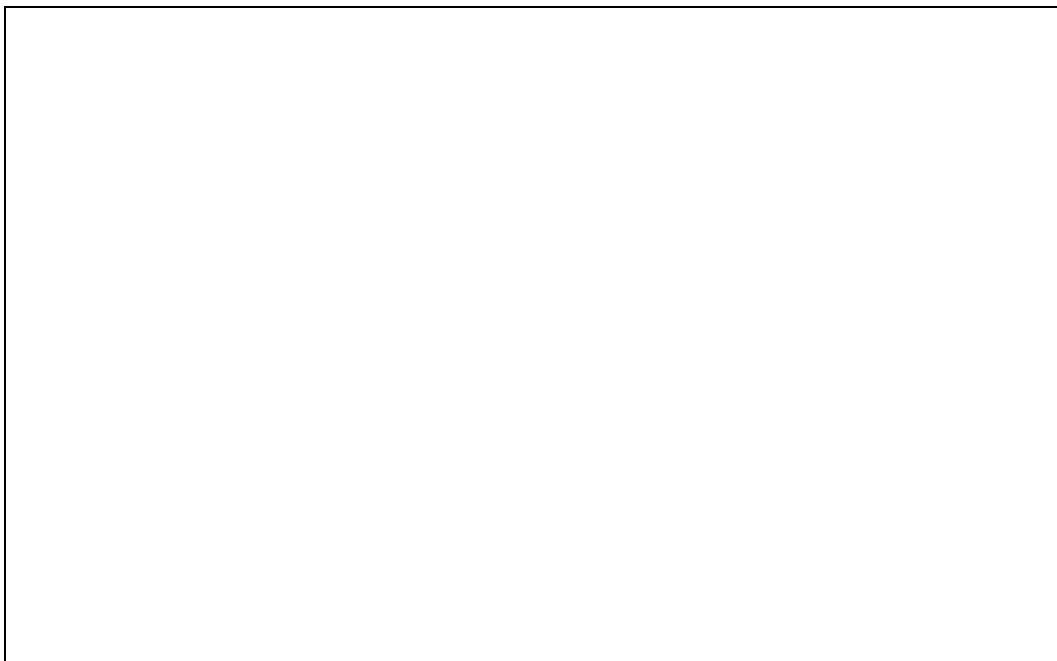
## THE FINANCIAL IMPACT OF REFORM

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



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

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



**The evolutionary approach: costs and benefits**

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

**Question 34** Do consultees agree that:

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

Agree:	Disagree:	Other:

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

**Question 36** Do consultees agree that:

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

Agree:	Disagree:	Other:

**A wider approach: costs and benefits**

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

