



Intellectual
Property
Office



Law
Commission
Reforming the law

Intellectual Property (Unjustified Threats) Bill.



Contents

Intellectual Property (Unjustified Threats) Bill	1
Law Commission Special Procedure Process	3
What's New?	4
An Actionable Threat	7
Unitary Patent and the Unified Patent Court.....	9
Permitted Communications	11
Remedies and Defences.....	13
Professional Advisers.....	15
Pending IP Applications.....	17
Proceedings for Delivery Up or Destruction.....	19
Define.....	21





Intellectual Property (Unjustified Threats) Bill

Intellectual property (or “IP”) law provides businesses and individuals with certain protections, so that they are not unfairly threatened with legal action for infringing someone’s intellectual property, when those threats are actually groundless.

IP litigation, with some justification, is commonly perceived as being expensive and commercially disruptive. IP disputes may involve specialist courts, judges, lawyers, advisers and experts. As a consequence, mere threats to sue for infringement of a patent, trade mark or design are taken seriously. The threats provisions were introduced over a hundred years ago. Some businesses had taken to threatening to sue their competitors’ customers, who then took their custom elsewhere as a result.

The existing provisions were designed for an earlier age and no longer work as they should. They are thought to be inconsistent and unclear. Those familiar with the law can exploit technical loopholes, while those less so get caught out by them. The provisions have been accused of failing to achieve the necessary balance between allowing rights holders to protect highly valuable assets while preventing the misuse of threats to sue to distort competition.

The Unjustified Threats Bill aims to:

- Protect businesses and individuals against the misuse of threats to intimidate or gain an unfair commercial advantage where there has been no infringement.
- Make it easier for those involved in a dispute over IP infringement to negotiate a settlement and avoid litigation.
- Bring consistency across the law as it applies to patents, trade marks and designs.

The main provisions of the Unjustified Threats Bill will:

- Extend the changes made for patents in 2004 to trade marks and designs. These allow a rights holder to challenge someone capable of causing the most damage, usually the trade source of the infringement (primary actors), without fear of facing a retaliatory unjustified threats action.
- Protect retailers, suppliers and customers (secondary actors) against unjustified threats.
- Provide a clear framework within which disputing parties can exchange information to resolve the issues between them and avoid litigation.
- Protect professional advisers from personal liability for making threats when they act for their clients; and
- Make necessary changes to threats law so that the protection against unjustified threats can apply to European patents that come within the jurisdiction of the forthcoming Unified Patent Court.

The Bill was introduced using the special Parliamentary procedure designed for uncontroversial Law Commission bills.



Law Commission Special Procedure Process

1. The bill is introduced as a Law Commission bill in the House of Lords.
2. After first reading the bill will go to **Second Reading** Committee.

Second Reading Committee functions like a Grand Committee, with unlimited membership, and will take place in the Moses room. Any member can speak at Second Reading Committee and there is no time limit on the debate. As in Grand Committee there will be no provision for divisions.

3. The Second Reading Committee reports that it has considered the bill, and the motion for the second reading is taken formally in the House at a later date.
4. Then there will be a motion to commit the bill.
5. The bill then goes to **Special Public** Bill Committee.

Special Public Bill Committees are appointed by the House on a basis of a recommendation by the Committee of Selection. They normally have a membership of nine or ten, including the relevant minister and spokesman of opposition parties. The Special Public Bill Committee is empowered to take written and oral evidence from interested stakeholders.

6. Once Special Public Bill Committee has completed its work the bill is reprinted as amended. Written and oral evidence, and a verbatim report of proceedings, are also published.
7. The remaining stages, Report and Third Reading, will follow in the usual way.
8. Once the bill has passed through the House of Lords, it will be transferred to the House of Commons where the normal Commons procedure applies, except that the bill is referred to a Second Reading Committee.

What's new?

The test for a threat

The new statutory test sets out the principles the court will apply in order to decide whether a communication contains a threat to sue for the infringement of a patent, trade mark or design.

What is the proposed change?

The test mainly follows the current test which is based on case law, but with one change. As the threats provisions are part of UK law, in order for them to apply there must be some link between the threat to sue for an infringement, and the UK. The current link is that the threat must be understood to be to bring proceedings in a UK court. This is changed by the Bill, so that the threat must be understood to be to bring proceedings in a court for an act done (or intended to be done) in the UK. The change will allow the provisions to apply to European patents that will come within the jurisdiction of the Unified Patent Court when that comes into existence.

What does it mean?

The test, which is the same for each of the rights, clarifies what amounts to a threat for the purposes of the threats provisions. It gives a clear steer on what will and will not amount to a threat to individuals, businesses and advisers who are thinking about communicating with someone. This is important because if the communication contains a threat, it might result in a threats action being brought against them.

If the test is satisfied then the rest of the threats provisions are relevant because these govern who may bring an action, against whom and also create defences when particular circumstances apply.

Big Co v Very Big Co

Big Co has a patent for a sprinkler device with a special cut off function so it stops once it senses that a fire is extinguished. Big Co believes the patent is being infringed.

Very Big Co has factories in France and Germany and manufactures its sprinklers in both countries. It has announced in UK newspapers that it intends to open a factory in the UK to manufacture sprinklers here.

Very Big Co currently has sales outlets in the UK, France and Germany where it sells the sprinkler.

Big Co writes to the suspected infringer – Very Big Co. It states that Big Co owns the patent and will sue for infringement unless Very Big Co stops manufacturing sprinklers that have a similar cut off device.

Big Co also puts up a notice on its website which is visited by people in the fire prevention industry. It states that Very Big Co is infringing its patent and that Big Co takes a no holds barred approach to this sort of thing and will do what is necessary.

The Test for a Threat

The test is whether a reasonable person would understand that a patent exists and that someone intends to bring proceedings against someone else for infringing that patent, for an act done in the UK - or intended to be done in the UK. Whether a communication contains a threat is considered from the perspective of a reasonable person in the position of a recipient.

In the case of the letter, that would be Very Big Co. It does not matter what the sender intended by the letter. The same test applies when a communication is directed at a particular person or the general public or a section of the public. The notice on the website is directed at a section of the public - people in the fire prevention industry. So the test is what a reasonable person in their shoes would understand by the statement.

The next step is to see if the threats are actionable....

The test for a threat is satisfied for the letter and the notice on the website.

The notice on the website refers to a patent but makes no express threat to sue. A threat can also be implied however. A reasonable person in the position of someone in the industry would probably understand that Big Co was threatening to sue Very Big Co for selling their sprinkler at their UK outlet, and anyone who bought one from there.

The letter to Very Big Co contains an express threat to sue for infringement of the patent. The threat is to sue for an intended infringing act - opening a factory in the UK to manufacture the sprinkler - and an on-going one - selling the sprinkler through a UK outlet. The test is satisfied, the communication contains a threat.



An actionable threat

What is the proposed change?

If a communication contains a threat then the next step is to see if someone is entitled to bring a threats action in respect of it. Any person who is aggrieved, which means any person affected by a threat in a commercial sense, may bring a threats action unless an exception applies.

An aggrieved person might be prevented from bringing a threats action because of the acts referred to in the threat (primary act exception), or because of the acts they are supposed to have done, or intend to do (primary actor exception). An aggrieved person might also be prevented from bringing a threats action if the communication is permitted by the provisions (for which see the next section “Permitted Communications”).

A threats action cannot be brought for threats that refer to primary acts because some acts of infringement have the potential to do far more commercial damage to a rights holder than others. Also, primary actors are more likely to be in a position to challenge a threat if it appears to be unjustified. For the same reason, an action cannot be brought for threats made to a primary actor – someone who does, or intends to do, any type of primary act – even if they are also carrying out some secondary acts. (For example where a primary actor both manufactures and sells an infringing product). However, a primary actor does not lose all protection where they are only a secondary actor in respect of a patent, for example, where someone else used the process and they merely sell the product that is produced. This is a subtle and important distinction. The example (page 11) illustrates the point.

What does it mean?

Making the law consistent across the rights will allow businesses to understand whether threats are actionable or not. There will be a reduction in the need for professional advice saving businesses money. Businesses and advisers will no longer need to spend excessive amounts of time checking the different laws for different rights.

If one or more of the exceptions in the Bill applies to your threat then it is not actionable.



Unitary Patent and the Unified Patent Court

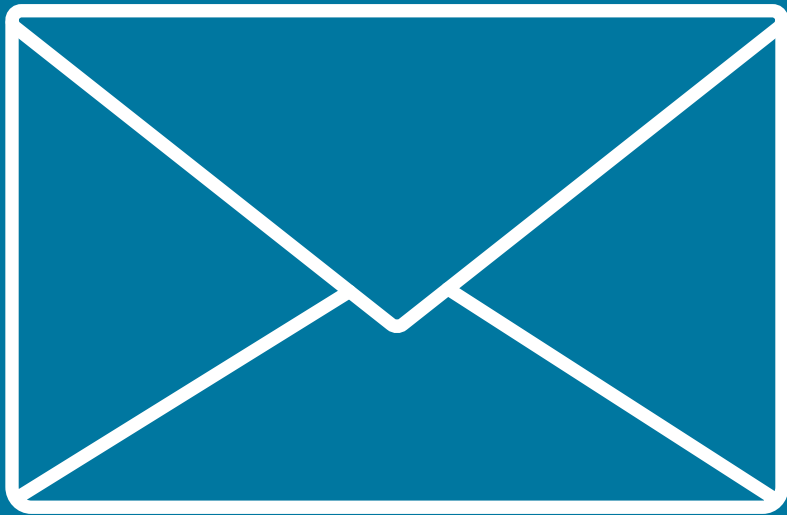
What is the proposed change?

The Unitary Patent (UP) allows rights holders to protect their invention across participating states under just one patent. Disputes relating to infringement or validity of Unitary Patents are dealt with under the new Unified Patent Court (UPC) – a court system common to all participating states.

With the new Bill the threats provisions will apply to Unitary Patents – once the new Unitary Patent system and UPC is in place. As noted above, the Bill's provisions ensure that there is a link to acts carried out in the UK.

What does it mean?

Although the UPC is partly physically based in the UK in legal terms it will not be a UK Court. So the existing legal mechanism for linking a threats action to the UK does not work properly. As long as the communication is understood by a reasonable person to mean that someone intends to bring infringement proceedings in respect of an act done (or if done would be) in the UK, the threats provisions will apply to UPs.



Permitted Communications

What is the proposed change?

Communications involving third parties can become complex and difficult. Even the most innocent communication, made with the best of intentions, can be interpreted as being an implied threat and trigger a threats action.

The new provisions provide a framework for a “safe harbour”. This allows disputing parties to exchange information to resolve disputes where one of them would otherwise be entitled to bring a threats action. Certain conditions must be met and these only apply to the part of the communication which amounts to a threat.

A communication containing a threat of infringement proceedings is a “permitted communication” if:

- It is not an express threat; and
- the part of the communication which contains information that relates to the threat was made solely for a permitted purpose; and
- all of the information that relates to the threat is information that;
 - is necessary for that purpose, and
 - the person making the communication reasonably believes is true.

As further guidance, the provisions give examples of information that may be regarded as necessary for a permitted purpose.

Under the new provisions the court is given a power to add to the list of permitted purposes. This ensures that sufficient guidance is provided without it becoming too inflexible. The exception can develop over time to better reflect surrounding circumstances and changes in the law. However, the provisions also rule out three purposes from being treated as being permitted. These are where a person is asked to stop doing something, destroy or hand over something or promise not to do something in respect of the disputed IP right.

What does it mean?

The new provisions encourage parties involved in disputes to resolve their issues without running the risk of triggering litigation. The permitted communications sections of the Bill clearly lay out what constitutes a permitted purpose and what information may be given – making it easier to understand what can and cannot be communicated. Therefore, rights holders and those acting on their behalf can approach those they suspect of being secondary infringers with greater confidence. It also ensures that secondary infringers are not stripped of all protection because unless the conditions are satisfied an implied threat in a communication is actionable.

X Co manufactures a product, and sells what it produces. X Co is also selling the same products manufactured by Z Co. Y Co writes to X Co claiming that X Co infringed Y Co’s patent by manufacturing the products. Y Co also claims that X Co has infringed by retailing both the products it has made and those supplied by Z Co that it merely sells.

Whilst Y Co’s letter will not constitute an actionable threat in so far as it refers to the retail of the products manufactured by X Co, unless any other exclusion applies, the threat will be actionable due to its reference to the retail of products manufactured by Z Co.



Remedies and defences

What is the proposed change?

Remedies

The remedies available in a threats action are the same as those in the current law.

These are:

- An injunction to stop more threats being made, which can be obtained as an interim or final remedy.
- Damages for loss caused by the threat that is a natural and reasonable consequence of the threat being made.
- A declaration that the threats were unjustified.

Defences

First Defence

The first is the defence that the threat was justified because the acts referred to in it are, or if carried out would be, infringing. This defence is part of the current law. There is one change however. It is no longer expressly provided that if the person aggrieved can show in turn that the IP right is in fact invalid then the defence fails. This is because an invalid right cannot be infringed, and the change does not prevent someone from raising validity as an issue.

Second Defence

The second defence also comes from the current law where it is only available for patents; the new provisions extend it to trade marks and designs. It says that an approach to a secondary actor may not be an unjustified threat but, in order for the defence to apply, certain conditions must be satisfied.

The threatener must show:

- That they have taken all reasonable steps to identify the primary actor but have not been able to identify anyone; and
- they have notified the secondary infringer to whom they made the threat of the steps they took; and
- the notification was given either before or at the time of making the threat.

What does it mean?

The defences allow businesses and individuals to threaten to sue secondary infringers and prevent further commercial damage where they can show that infringement is occurring, or would occur. A business can also threaten a secondary infringer and protect their IP right where they cannot find the source of the infringement to close it down. The provisions will ensure that the defences apply consistently across all the rights.



Professional Advisers

What is the proposed change?

Under the current law, professional advisers are at risk of incurring personal liability because any person can be sued for making a threat, even if it is made on behalf of their client. The risk of facing a threats action can be used against professional advisers as a tactic to damage their relationship with their client. The loss of professional advice can leave the client vulnerable and reluctant to enforce their IP right. It can also prolong disputes because the adviser has to explain why they are at risk and this is complicated.

The new provisions introduce a new protection for professional advisers, if:

What does it mean?

IP law is complicated so professional advice is often necessary and helpful in resolving disputes without litigation. The provisions remove the threat of personal liability from advisers who satisfy the required conditions so they can act for their client with greater confidence and to the fullest extent. There is no loophole being created, however. The instructing client will remain fully liable for any unjustified threat that has been made.

- You are acting in a professional capacity in providing legal or attorney services;
- You are regulated by a regulatory body in the provision of those services;
- You are acting on the instructions of a client; and
- You have identified that client to the person with whom you are communicating.



Pending IP Applications

What is the proposed change?

For patents the law is clear that where a threat to sue for an infringement is made before the patent has been granted, the threat is understood to mean that proceedings will be brought once the patent is granted. For trade marks and registered designs the law is less clear, there may be a gap between the making of an application for registration or grant of the right, and the actual registration or grant. The provisions clarify that the threats provisions will apply during the gap. This concept comes from existing well established patents case law. It will now helpfully be set out in the statute and the principle applied consistently across all relevant rights.

What does it mean?

The provisions will ensure the law is consistent in this respect between each of the registered rights.



Proceedings for delivery up or destruction

What is the proposed change?

A rights holder may apply to the court for an order that infringing goods, products or articles which a person has in their possession are given (delivered) to them or that they are destroyed. A threat to apply to the court for one of these orders can be just as damaging as a threat to sue for infringement. The provisions make clear that such threats will come within the threats provisions.

What does it mean?

The protection of the threats provisions for businesses is extended to include threats to sue for delivery up or destruction where they are found to be unjustified.



Primary acts

Primary acts tend to be those that can cause the greatest commercial damage.

Example - for patents, the primary acts are the importation or manufacture of a patented product or the use of a patented process.

Threats proceedings may not be brought where a threat only refers to any of the primary acts or where the threat is made to a primary actor.

Primary actors

A person who has carried out primary acts, or intends to.

Primary actors are usually the source of the infringement and are more likely to be in a position to challenge a threat if it appears to be unjustified.

Secondary acts

Any act of infringement other than a primary act is referred to as a secondary act.

Secondary acts are those less likely to cause serious commercial damage.

Example - where someone supplies or retails an infringing product made or imported by someone else.

Secondary actors

A person who has carried out secondary acts, or intends to.

An aim of the threats provisions is to direct threats away from secondary actors.

Communication with secondary actors about issues of infringement should only take place in exceptional circumstances. This is because they may be unaware that they are infringing or may have little incentive to continue supplying or selling a product when threatened.

Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: 0300 300 2000
Fax: 01633 817 777
Email: information@ipo.gov.uk

www.gov.uk/ipo

For copies in alternative formats please
contact our Information Centre.

**When you no longer need this booklet,
please recycle it.**

© Crown copyright, 2016

This document is free for re-use under the terms of the
Open Government Licence.

Images within this document are licensed by Ingram Image.

DPS-003981

