



Intellectual
Property
Office

Unjustified threats on intellectual property rights: Government Response





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Ministerial foreword



As Minister for Intellectual Property (IP) I am certain that getting the IP framework right is key to supporting business, the economy and society. This includes making the IP system easily navigable for rights holders and third parties alike; allowing rights holders to enforce their IP rights fairly, while preventing the misuse of threats of infringement to distort competition.

I strongly believe that these proposals to reform the law relating to unjustified threats on intellectual property rights will meet the above aims. The reforms will help the government deliver its manifesto commitment to make the UK the best place in Europe to innovate, patent new ideas and set up and expand a business.

The detailed recommendations were made by the Law Commission and I thank them for their work on this project, including their careful treatment of the issues and positive and helpful engagement with stakeholders.

This response document summarises the responses to the government discussion paper of late 2015. I welcome the positive responses to the paper and the support from stakeholders displayed here.

The government is committed to implement these important reforms, which will clarify the law of unjustified threats and bring much needed consistency across different IP rights – therefore making life easier for businesses and entrepreneurs.

Thank you for your comments.

A handwritten signature in black ink that reads "Lucy Neville-Rolfe". The signature is written in a cursive style and is positioned to the left of a vertical line.

Baroness Neville-Rolfe, DBE, CMG
Minister for Intellectual Property



Executive summary

The IPO launched a discussion document¹ on 22 October 2015, following the publication of the Law Commission's final report on reforming the law of unjustified threats on intellectual property infringement². The government received 12 responses to the discussion paper which are discussed below.

Next steps

The government has accepted the Law Commission's recommendations for reform, including those made in the final Law Commission report, and intends to introduce primary legislation to implement these reforms.

In light of the responses to this discussion paper the government will continue to investigate introducing the reforms via the special procedure which exists for bills implementing uncontroversial Law Commission recommendations.

Background and previous consultation

Patent, trade mark and design law provides businesses with certain protections, so that they are not unfairly threatened with legal action for infringing someone's intellectual property rights. The existing provisions do not however work as well as they should. They are thought to be inconsistent and unclear, enabling experts to exploit technical loopholes while tripping up the unwary. They have been accused of failing to achieve the necessary balance, which is to allow rights holders to protect highly valuable assets, but not to misuse threats of infringement to distort competition.

In 2012 the Department for Business, Innovation and Skills (BIS) and the Intellectual Property Office (IPO) asked the Law Commission to review the relevant statutory provisions³. The Law Commission published a Consultation Paper in 2013⁴ and responses showed strong support for retaining protection against unjustified threats and overall support for reform of the existing law.

The consultation exercise was followed by a Law Commission Report in April 2014⁵ which summarised the responses received and made 18 recommendations for reform. The government responded on 26 February 2015⁶, accepting the recommendations (in a few cases with some qualifications), and tasked the Law Commission with drafting a bill. This was published along with the Law Commission final report on 12 October 2015.

The Law Commission's work on this project was supported throughout by a working group composed of members of relevant IP interest groups, judges, lawyers and other groups as listed in their reports.

1 <https://www.gov.uk/government/consultations/unjustified-threats-on-intellectual-property-rights>

2 http://www.lawcom.gov.uk/wp-content/uploads/2015/04/lc360_patents_unjustified_threats.pdf

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

4 http://www.lawcom.gov.uk/wp-content/uploads/2015/03/cp212_patents_groundless_threats.pdf

5 http://www.lawcom.gov.uk/wp-content/uploads/2015/03/lc346_patents_groundless_threats.pdf

6 http://www.lawcom.gov.uk/wp-content/uploads/2015/12/Gov_Response_to_LC346.pdf



Proposal set out in the discussion paper

The government has accepted the Law Commission recommendations on reform which, in summary, propose to:

- Bring the law for trade marks and designs into line with that for patents by allowing a rights holder to challenge someone who is a primary actor without fear of facing a groundless threats action.
- Provide a clearer framework within which disputing parties and their professional advisers can operate to resolve disputes with a view to avoiding litigation.
- Protect retailers, suppliers and customers against unjustified threats.
- Protect professional advisers from facing personal legal action for making threats when they act for their clients.
- Make necessary changes to threats law so that the protection against unjustified threats can apply to European patents that will come within the jurisdiction of the Unified Patent Court.

Following the publication of the final Law Commission report and draft bill, the government was keen to confirm stakeholder views via a discussion paper. This was published 22 October 2015, with a comment period running to 13 November.

We asked interested parties the following questions:

1. Do you agree that reform of the law in this area is required?
2. Do you support the general approach to reform, as recommended by the Law Commission?
3. Do you consider the Bill suitable for a Parliamentary procedure designed for uncontroversial Law Commission Bills?



Summary of responses

The government received 12 responses to the discussion paper, including responses from lawyers, company and industry representatives, IP and legal interest groups and the IP judiciary.

In addition to answering the questions that were posed, a number of respondents also made comments about particular aspects of the draft bill, often relating to the specifics of the wording. These comments are summarised in annex B.

1. Do you agree that reform of the law in this area is required?

All responses to this question were supportive of reform to the unjustified threats provisions.

In particular respondents stressed that the current statutory rights are inconsistent and unclear; one respondent noting that as a result small businesses may feel discouraged from asserting their IP rights. It was also felt that the lack of consistency across the registered rights is confusing. It was commented that the current laws can create a “potential for mischief”, causing uncertainty and conflict between clients and advisers.

2. Do you support the general approach to reform, as recommended by the Law Commission?

The general approach to reform, as recommended by the Law Commission, received wide support. Most commented that they saw the benefits of the proposals in the draft bill which seek to achieve clear harmonisation of the provisions and encourage easier communication. Respondents noted that the proposed reforms will provide further clarity for parties exchanging information thereby preventing difficulties and avoiding litigation. In their view the government’s proposals will rightly discourage unjustified threats. One comment emphasised that the consistent rules implemented as a result of the reform would make the law “more coherent and intelligible”.

A number of respondents did note that wider reform (such as a new tort consistent with the law elsewhere in the EU) would be desirable in the long term. Nevertheless they were able to support the Law Commission’s proposed approach to reform at the current time. It was noted by one such respondent however that a change to a new, wider tort would be too dramatic at this point and would lead to further uncertainty⁷.

In response to this question some respondents offered suggestions as to how the wording of the draft bill could be improved.

⁷ See also paragraph 1.9 of the final Law Commission Report (http://www.lawcom.gov.uk/wp-content/uploads/2015/04/lc360_patents_unjustified_threats.pdf)



3. Do you consider the Bill suitable for a Parliamentary procedure designed for uncontroversial Law Commission bills?

The majority of respondents considered the draft bill to be suitable for the special Law Commission Bill procedure, agreeing that the proposals are uncontroversial. It was noted that key stakeholders have been consulted and that the “sensible and measured” changes proposed have a strong consensus of support.

A number of respondents have nevertheless made specific comments on the wording of the draft bill. One respondent stated that their support for the use of the special procedure would be dependent on reassurance and clarification being provided on two areas of the draft bill.

Government Response:

The vast majority of responses to the questions posed in the discussion document were positive. In light of this the government will continue to investigate introducing the reforms via the special procedure which exists for bills implementing uncontroversial Law Commission recommendations.

The government has considered the specific comments in relation to the wording of the draft bill as summarised in annex B.

The government thanks all those who responded to this discussion paper for their helpful comments.



Regulatory Impact

As detailed in the discussion paper the regulatory impact has been assessed and ongoing benefits to business are estimated to result in total savings of around £1.66 million per annum.

This is due to:

- A reduced number of cases in which this area of the law will be engaged
- A reduction in the level of advice required even in cases in which it is engaged

The Impact Assessment for these measures was published along with the discussion paper on 22 October 2015. The Regulatory Policy Committee has given a positive opinion on this impact assessment⁸.

Some respondents went as far as to voice their agreement that the proposed changes result in a reduction of costs when seeking legal advice, specifically for SMEs. It was noted that providing a clear and concise framework may also reduce the number of cases engaged.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484009/2015-8-10-RPC15-BIS-2412-Simplifying_the_law_of_groundless_threats_of_patent_trade_mark_and_design_right_infringement_final.pdf



Annex A: List of respondents

Responses to the Call for Evidence – Unjustified threats

- Alliance for Intellectual Property
- Anti-Counterfeiting Group
- British Generic Manufacturers Association
- Chartered Institute of Patent Attorneys
- Creators Rights Alliance
- Federation of Small Businesses
- INCOPRO Limited
- Institute of Trade Mark Attorneys
- IP Judges
- Law Society of England and Wales
- Law Society of Scotland
- Wragge Lawrence Graham & Co

Annex B: Detailed comments

As well as answering the questions posed, some respondents offered other insights and comments. The additional issues raised by respondents were generally detailed comments on the wording of the draft bill; these issues are set out below.

The sections referred to below are as numbered in the draft bill⁹ which accompanied the Law Commission's final report.

Comments	Response
A representative organisation commented that section 70A(4)(a) does not expressly include those who merely “purport to” have committed a primary act. They are concerned that threats in respect of both primary and secondary acts made to those who merely purport to have committed a primary act will be actionable.	The aim is to clarify the threats provisions to make them easier to use. Secondary actors should be protected from unjustified threats. Removing protection from secondary actors who have purported to, but have not actually, done a primary act would overcomplicate the provisions and provide less clarity for users.
A representative organisation commented that the primary actor exclusion at section 70A(4) should provide a safe harbour for all relevant communications to a manufacturer or importer, even if some of the primary acts were carried out by someone else. They said “if the safe harbour applies in relation to [the] product they manufacture, there is no practical reason why it should not apply to the same product which they purchase from a third party”.	The Law Commission responded to this point in paragraphs 5.57 to 5.63 of their 2014 report . The provisions encourage rights holders to approach the primary actor. Threats are therefore actionable if made to someone who is only a secondary actor in relation to those products or services. Providing “special” circumstances where the secondary actors can be threatened would overcomplicate the provisions and provide less clarity for users.
A representative organisation suggested that section 21A should be amended so that a threat of infringement proceedings in relation to the first use of a trade mark on a website or in a domain name would not be actionable.	This issue goes further than reform to the law of unjustified threats. Threats in relation to primary acts are not actionable and it is beyond the scope of this project to expand the type of actions which are considered primary infringements.
Three respondents felt that the protection for legal advisors (section 70D and equivalents) should be extended to cover online anti-counterfeiting and enforcement services and providers of technological enforcement solutions.	The person seeking to rely on the protection must be regulated. If online anti-counterfeiting services and agents can show that they are regulated (and if all the other relevant conditions apply) then they will be entitled to protection under the clause. The requirement for regulation strikes the right balance in ensuring the defence is not abused while protecting genuine advisors from becoming personally involved in threats disputes.

⁹ <https://www.gov.uk/government/consultations/unjustified-threats-on-intellectual-property-rights>

<p>Two respondents suggested that it should be clarified that notices sent under the e-Commerce Directive (Electronic Commerce Directive 2000/31/EC) do not amount to groundless threats.</p>	<p>The e-Commerce Directive does not set out requirements for the form or content of notifications to service providers regarding potentially infringing content.</p> <p>A permitted communication (section 70B and equivalents) could be used to notify a service provider of the existence of an intellectual property right. It is therefore possible for the rights holder to send a notice under the e-Commerce Directive which does not fall within the definition of an actionable threat.</p>
<p>Two respondents asked for clarification about the impact on notice and takedown communications. In particular they asked for clarification about whether a trademark or designs complaint to an intermediary platform would be regarded as a groundless threat.</p>	<p>The provisions do not change what is considered a threat. Threats to anyone other than those applying the sign, importing goods or supplying services under the sign could be actionable (if the other conditions are met). However, the draft bill provides for permitted communications to be made to a secondary actor, such as an intermediary platform. It is therefore possible to send a notification of the existence of an IP right to such an intermediary without “falling foul” of the threats provisions.</p>
<p>One law firm asked whether “In view of <i>Jet2.com Ltd v Blackpool Airport Ltd</i> [2012] EWCA Civ 417, ... “all reasonable steps” would be interpreted differently to “best endeavours”.”</p> <p>They went on to suggest that as a result “the intended meaning of “all reasonable steps” should be defined.”</p>	<p>The term “best endeavours” has a special meaning in commercial contract law. The judgment in <i>Jet2.com Ltd v Blackpool Airport Ltd</i> does not impact upon “all reasonable steps” as used in the draft bill.</p> <p>The meaning of the term “all reasonable steps” in the context of the threats provisions is clear, as discussed at paragraphs 2.17- 2.20 of the Law Commission’s 2015 Report.</p>
<p>One response suggested that further explanation is needed about the inter-relationship between the threats provisions and the law regarding “without prejudice communications”.</p>	<p>This issue was dealt with in the Law Commission’s 2013 Consultation Paper at paragraphs 2.28-2.33. The existing case law sets out the test of the limits of “without prejudice” communications and the interactions with unjustified threats.</p>
<p>A representative organisation felt that the use of the term “solely” in section 70B(1) (a) and equivalents “...could be interpreted as introducing a new requirement of examining a writer’s subject intent in sending a communication”.</p>	<p>There is no role for the intention of the writer; this remains a strict liability tort.</p>



<p>An organisation representing Generics Manufacturers commented that GPs should be considered as “secondary actors” for the purpose of the threats provisions.</p>	<p>The bill as drafted already provides the protection sought by the respondent. Primary actors are defined. Anyone falling outside those definitions is treated as a secondary actor. This is preferable to referring to specific special cases, such as GPs.</p>
<p>A representative body noted that that action for unjustified threats of a Unitary Patent (UP) may be brought in the UK courts, but validity and infringement of unitary patent will be within the exclusive competence of the Unified Patent Court (UPC).</p>	<p>This issue was addressed in paragraphs 3.34-3.36 of the Law Commission’s Final report.</p> <p>Where issues of validity and infringement arise in respect on UPs in the context of a groundless threats action, it is anticipated that the threats action would be stayed and resumed (or settled or withdrawn) once the UPC has reached a decision.</p>
<p>A representative body asked if it was possible to include in the Regulations provisions that take into account the economic and bargaining power of the parties.</p>	<p>The aim is to clarify the threats provisions to make them easier to use. This is a complex issue that goes further than the scope of reform to the law of unjustified threats.</p>
<p>A representative body suggested including “or causing objects to be made” to “making a product for disposal” in case “making” doesn’t cover sending an order to China.</p>	<p>The provisions do not change what is considered to be a threat.</p> <p>Infringement occurs in the UK when the goods are imported into the UK, which includes goods being made and imported from China. This is a primary act: the draft bill does not, and is not intended to, change the scope of what is a primary infringing act.</p>

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