

AIPPI UK – 12 December 2017 - Is that a threat? – Overview

Intellectual Property (Unjustified Threats) Act 2017

	Patents	UK TM	EU TM	UK regd. designs	UK design right	Community designs ¹
Legislation amended	PA 1977	TMA 1994	CTM Regs ²	RDA 1949	CDPA 1988	CD Regs ³
Definition of threat	s. 70	s. 21	see TMA	s. 26	s. 253	Reg. 2
Actionable threats	s. 70A	s. 21A	“	s. 26A	s. 253A	Reg. 2A
Permitted communications	s. 70B	s. 21B	“	s. 26B	s. 253B	Reg. 2B
Remedies and defences	s. 70C	s. 21C	“	s. 26C	s. 253C	Reg. 2C
Professional advisors	s. 70D	s. 21D	“	s. 26D	s. 253D	Reg. 2D
Pending rights	s. 70E	s. 21E	“	s. 26E	-	Reg. 2E ⁴
Delivery up etc.	s. 70F ⁵	s. 21F	“	s.26F	S253E	Reg. 2F

¹ Registered and unregistered – regulation 1(2)

² Community Trade Mark Regulations 2006 - S.I. 2006/1027 – regulation 6

³ Community Design Regulations 2005 - S.I. 2005/2339 – regulations 2 and 5A(1)

⁴ Registered Community designs

⁵ Including order for delivery up made by Unified Patents Court under the UPC Agreement articles 32(1)(c) and 62(3).

AIPPI UNITED KINGDOM EVENT

Tuesday 12th December 2017

IS THAT A THREAT? The Intellectual Property Unjustified Threats Act 2017

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Legislation and transitional provisions

1. Intellectual Property (Unjustified Threats) Act 2017 (the “Act”)
2. The Intellectual Property (Unjustified Threats) Act 2017 (Commencement and Transitional Provisions) Regulations 2017 - SI 2017 No. 771.
3. The Act works by amending the threats provisions in existing legislation, not by a stand-alone threats provision applicable to all or selected IP rights: see the Overview document.
4. Commencement: 1st October 2017 commencement for all provisions except those relating to UPC - regulation 2(1). UPC provisions come into force on the date of date of entry into force of the Agreement on a Unified Patent Court signed at Brussels on 19th February 2013 - regulation 2(2).
5. Transitional provisions: proceedings in respect of alleged threats are to be determined in accordance with the law in force at the time the alleged threat was made – regulation 3.

Common law remedies

6. The statutory threats provisions of the Act are in addition to existing common law torts and other remedies.
7. Common law torts and other remedies which may be available include: (1) malicious falsehood; (2) defamation; (3) abuse of process (4) contempt of court; (5) inducing breach of contract/causing loss by unlawful means.
8. These could become more interesting to claimants because the common law remedies are not subject to the special exemptions and protections provided by the Act (e.g. to professional advisors and to certain types of threats).
9. The other remedies may also be useful for threats (e.g. to customers) of causes of action not covered by the Act, especially passing off and copyright infringement.

Malicious falsehood

10. Three requirements⁶: (1) statements published about the claimant which are false (2) published maliciously (3) damage – e.g. economic loss. Malice

⁶ *Kaye v. Robertson* [1991] FSR 62

will be inferred if the words were calculated to produce damage, and the defendant knew when it published them that they were false or was reckless as to whether they were false or not.

11. The problem for claimants is that it is often difficult to establish malice.

Examples:

12. *Halsey v Brotherhood* (1881) 19 Ch D 386. The parties made steam engines. Brotherhood prevented Halsey from succeeding in business by systematically threatening to sue Halsey's customers for patent infringement. *Held* that Brotherhood was not liable provided that the threats were *bona fide* and no injunction could be granted until it was proved they were untrue. Claim therefore failed on the requirement of malice. It led to the introduction of the first groundless threats provisions for patents in 1883.
13. *Greers Ltd v Pearman & Corder Ltd* (1922) 39 RPC 406. Threats for infringement of registered trade mark (before statutory threats provisions introduced). Threats made in respect of use of word "Banquet" for chocolates. Malice established because while the registered trade marks included the words "Banquet Brand" each had a disclaimer to the exclusive use of the word "Banquet".
14. *CHC Software v. Hopkins & Wood* [1993] FSR 241. The defendant solicitors acting for S sent a letter to T which falsely stated that (1) CHC's product infringed their S's copyright (2) there was a risk that CHC's product would have to be withdrawn at the suit of S so it was not safe to buy it (3) specialist counsel had advised that S had an extremely strong case for infringement of copyright, misuse of trade secrets and trade libel (4) that the claims were the subject of legal proceedings on foot at the time and (5) that in D's opinion the case was so strong that suitable case for summary judgment. CHC wanted disclosure of identity of persons to whom letter sent so a correcting letter could be written. The claim was based on malicious falsehood. On an application for disclosure the court ordered D to identify the persons to whom the letter was sent so that CHC could write correcting the position.

Defamation

15. Need to show damage to good name or reputation (c.f. damage in malicious falsehood). Note issues of qualified privilege and other special rules regarding defamation may apply.

16. Examples:

- (1) Deliberate and flagrant infringer? *Creative Resins v. (1) Glassam (2) Donne Mileham & Haddock and another* [2005] EWHC 777 (QB).

D2 a firm of solicitors. Complaint of defamation in letter from D2 on behalf of D1 to customer of C. Letter claimed infringement of copyright, defective manufacturing and persistent and flagrant infringement of IP rights. D2 failed in application to strike out. Judge noted that claims of this kind against solicitors not to be advanced lightly.

- (2) False allegation that a person is a counterfeiter?

Abuse of process/contempt

17. Examples;

- (1) *Landi den Hartog BV v Sea Bird* [1976] FSR 489: L claimed it was beneficially entitled to certain patents. S counterclaimed against L for infringement of the patents. S also brought proceedings against Y, which was L's exclusive distributor in the UK. L alleged that S's conduct demonstrated that it was not genuinely intending to enforce its right but to harass L. Injunction granted restraining S from bringing further actions against L's customers without the leave of one of the patent judges.

Therm-A-Stor v Weatherseal [1981] FSR 579 (CA). T sued W for infringement of a patent application (accepted and published but not granted). It threatened suppliers to W with infringement proceedings. It instructed salesmen to misrepresent to W's customers that a court order had been made in T's favour and that goods ordered from W might not be supplied and might be removed. Infringement proceedings were struck out (no granted patent). T found to be in "clear" contempt of court for misrepresenting the position to W's customers.

What is a threat under the Act?

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 section 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.

18. The first part of the definition is essentially the same as the existing law. See e.g. *L'Oréal (UK) Limited v. Johnson & Johnson* [2000] FSR 686:

[12] In summary, the term “threat” covers any intimation that would convey to a reasonable man that some person has trade mark rights and intends to enforce them against another. It matters not that the threat may be veiled or covert, conditional or future. Nor does it matter that the threat is made in response to an enquiry from the party threatened.

...

The test is whether the communication would be understood by the ordinary recipient in the position of the claimant as constituting a threat of proceedings for infringement.

19. The second part of the definition alters the law as stated in *Best Buy v. Worldwide Sales Corporation* [2011] EWCA Civ 618. BB planned to open shops in the UK and Europe. WSC owned two CTMs which included the words “Best Buy”. WCS’s Spanish lawyers wrote a letter which was held on the facts to be a threat.
20. The judge held that to be actionable the threat must be to bring proceedings in the UK⁷. Floyd J was concerned not to “export” the threats provisions overseas. This ruling was not challenged on appeal, and it was said by the Master of the Rolls to be “right”: para [24]. On the facts the

⁷ Para [12] [2010] EWHC 1666 (Ch) Floyd J

letter was found to be or at least to include, a threat to bring proceedings in the UK.

21. Question: Is the law now that a threat by German lawyers to seek EU wide relief (including damages) in the German courts for infringement of an EUTM and a Community design as a result of acts done in both the UK and Germany actionable under the Act (assuming jurisdiction can be established)?
22. IPO Business Guidance (page 3) “The test brings into statute the test which was previously applied based on case law [*Best Buy*] but with one change. ... Previously, a threat ... must have been understood to be to bring proceedings in a UK court. This is changed by the Act, so that the threat must be understood to be a threat to bring proceedings for an act done (or intended to be done) in the UK. This provides a better, clearer link to the UK for EU-wide IP rights. It also allows the provision to apply to European patents (effective in the UK) that come within the jurisdiction of the Unified Patent Court when that comes into existence”.

eBay and similar complaint procedures

23. The Act does not resolve the outstanding problem of whether taking advantage of eBay or Amazon or other complaint procedures is a threat: -
 - (1) *Quads 4 Kids v. Campbell* [2006] EWHC 2482 (Ch) Pumfrey J: eBay VeRO notice “a clear arguable threat” and an interim injunction granted:

[28] I find this a remarkably difficult question. ... It may well be that we have to take a very slightly wider view of what amounts to an actionable threat than has previously been taken in the cases, but the nature of the potential abuse in this case is quite clear.
 - (2) *Cassie Creations v. Blackmore and Mirrorkool* [2014] EWHC 2941 (Ch) – triable issue which could not be decided on summary judgment but:

[30] I will not shy away from saying that, provisionally at least, I consider [the argument that an eBay VeRO notice is a threat] much more persuasive ...
 - (3) *T&A Textiles and Hosiery Limited v. Hala Textile UK Limited* [2015] EWHC 2888 (IPEC):

[81] ... it is not necessary on the facts of this case to reach any concluded view ... I will however say that my provisional view is the same as that of Mr Spearman QC [the deputy judge in *Cassie*].

Without prejudice negotiations

24. *Unilever v Procter & Gamble* [2000] FSR 344:

- (1) The “without prejudice” rule is a rule governing the admissibility of evidence and is founded upon the public policy of encouraging litigants to settle their differences rather than litigate them to a finish.
- (2) “[41] It would be an abuse of process for Unilever to be allowed to plead anything that was said at the without prejudice meeting as a threat or a claim of right. The circumstances were such that each side was entitled to expect to be able to speak freely ...”
- (3) Threats made which “abuse the protection afforded by the without prejudice rule” may be actionable.

25. In *Best Buy* the fact that the threatening letter also contained a without prejudice offer in its final three paragraphs did not avoid the earlier part being held to be an actionable threat. The real purpose of the letter was to serve as a letter before action.

26. At paragraphs [43] to [45] the Master of the Rolls indicated doubts as to whether the without prejudice rule should prevail over the threats provisions (emphasis added):

[45] In *Daintrey* [1893] 2 QB 116 the “without prejudice” rule could not prevail over the statutory bankruptcy principles. In this case, by the same token, I incline to the view that the rule would not have prevailed over the clear statutory policy of the threats jurisdiction contained in section 21. **If, by writing a genuinely “without prejudice” letter, one could with impunity make threats which otherwise would clearly fall within the ambit of section 21, it would render that section close to being a dead letter, except for the poorly advised.**

Not normally possible to “undo” the threat by a later letter

27. *Prince Plc v Prince Sports Group Inc.* [1998] FSR 21

Although it is true that in *Brain* the correspondence was construed as a whole, it seems to me that this was with a view to deciding whether, read as a whole, the correspondence amounted to a threat, or, alternatively, whether a later letter when read in the context of earlier correspondence, amounted to a threat. I do not see how that justifies construing an earlier letter by reference to a later letter. If, in the present case, the principal letter, when judged according to the test confirmed by Aldous L.J., constituted a threat, then I do not see how it could retrospectively not have constituted a threat because of the subsequent letters.

28. A later letter withdrawing the threat may be relevant to relief.

Threat to join new defendant to existing proceedings

29. Whether actionable under old law (regarding trade marks) currently under consideration in *Lifestyle Equities v. Santa Monica Polo Club* – judgment awaited.

Actionable threats – [section]A provisions

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.

Subsection (1) Person aggrieved

30. No change in the law. Damage which is not minimal.
31. *Brain v Ingledew Brown Bennison & Garrett (No 3)* [1997] FSR 511 at 516-520, the requirement to show that “the threats have or are likely to cause him damage which is not minimal” does not mean that the claimant must prove loss of identifiable contracts. It is sufficient to show that “his commercial interests are or are likely to be adversely affected in a real as opposed to a fanciful or minimal way”.
32. A fairly low threshold, but a few cases have failed on this ground e.g.:
- (1) *Samuel Smith Old Brewery (Tadcaster) v Philip Lee* [2011] EWHC 1879 (Ch) - unusual facts – no evidence that in 2½ years the threat to Marks & Spencer had any effect.
 - (2) *Reymes-Cole v Elite Hosiery* [1965] RPC 102 – the party ceased to supply the alleged infringement before the threat was made.

Subsections (2) to (4) – exceptions relating to primary acts

33. Existing law permitting threats relating to primary acts has been replicated, but expanded. Primary acts are (new provisions emphasised): -
- (1) **Patents:** making or importing a product for disposal; using a process; **intending to do a primary act.**
 - (2) **Trade Marks:** applying, **causing another person to apply** a sign to goods or their packaging; importing goods or packaging; **intending to do a primary act.**

- (3) **Designs (all):** making or importing a product for disposal; **intending to do a primary act.**
34. *Cavity Trays*⁸ problem resolved. Previously it was not safe to make a threat to sue for e.g. “making” and “selling”. The “making” part of the threat was not actionable, but the “selling” part was. Now exempted by the subsection (4) provisions.

Permitted communications – [section]A(6) and [section]B

26B Permitted communications

(1) For the purposes of section 26A(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 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)(a) to (c) for some examples of necessary information), 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 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);

(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.

(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 that it is 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,

⁸ *Cavity Trays Ltd v RMC Panel Products Ltd* [1996] RPC 361

(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.

(5) If any of the following information is included in a communication made for a permitted purpose, it is information that is “necessary for that purpose” (see subsection (1)(b)(i))—

(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;

(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; and

(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.

35. This is a significant change to the law which provides detailed “safe harbour” protection for all causes of action. Law Commission policy⁹:

(1) Communication with actual or potential secondary infringers should be the exception and not the rule. However, there are occasions where communications are necessary or could even resolve a dispute.

(2) Disputing parties should be allowed more easily to comply with pre-action protocols.

36. Previously, the only entirely safe approach was often to limit any letter to something along the following lines: *We hereby notify you of the existence of [UK Patent no. / UK Trade Mark no. etc.] xxxx.*

37. Permitted purposes:

(a) Giving notice of the right.

(b) Discovering whether and by whom there has been infringement.

⁹ Para 4.33 - Law Com 360.

- (c) Giving notice where the right requires a person to be put on notice for the purpose of infringement – e.g. secondary infringements of design right where knowledge is relevant.

38. Not permitted purposes:

- (a) requesting person to cease doing an infringing act;
- (b) requesting a person to destroy or deliver up an article;
- (c) requesting a person to give an undertaking.

39. Subsection (3) allows the courts to develop the law. Law Commission: “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”.

40. Note:

- (1) No express threats may be made: subsection A(5).
- (2) The exceptions only apply to the part of the communication which comprises the threat. Material (a) not made solely for a permitted purpose (b) not necessary for the purpose (c) which is not believed to be true is not given a safe harbour.

41. Example (adapted from Law Commission example). Letter of complaint to a retailer selling an alleged infringing product in three sections:

- (1) Would you like to receive a catalogue of our fantastic new range of products?

Not a permitted communication, but not a threat.

- (2) We own patent no. [xxxxxxx], please provide details of your supplier of Product A.

Potentially a threat, but a permitted purpose.

- (3) “Just so you know” we have also taken proceedings against another retailer in respect of infringement of our patent by (entirely different) Product B.

A threat, and not for a permitted purposes, so actionable.

Remedies and defences – [section]C

26C 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.

(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.

(3) It is a defence for the person who made the threat to show—

- (a) that, despite having taken reasonable steps, the person has not identified anyone 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
- (b) that the person notified the recipient, before or at the time of making the threat, of the steps taken.

42. **Remedies:** subsection (1) and its equivalents are unchanged from the current law.

43. **Justification:** subsection (2) and its equivalents (subsection (3) for patents) has changed the law.

44. **Invalidity:** Section 70(2A)(a) Patents Act 1977 (and its equivalents) used to provide that if the defendant [right owner] showed that the acts in question constituted an infringement of the [right], the claimant was only entitled to relief if he could show the [right] was invalid. This provision is no longer present: the Law Commission explained that it was not necessary because an invalid right cannot be infringed, therefore a threat made in respect of it cannot be justified.

45. **Knowledge:** Section 70(2A)(b) provided a special defence for patentees as follows:

- (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.**

This defence is no longer available,

46. **Reasonable steps:** subsection (3) and its equivalents (subsection (4) for patents). This provision rolls out the reasonable steps defence, previously available only for patents – old section 70(6) – for all relevant IP rights.
47. The wording has been revised from section 70(6) to make it clear what must be done before the defence is available.

Questions

48. Is the justification defence available if the wrong patent number is mentioned, but could be justified if the correct patent number had been mentioned?
49. Is the justification defence available if the threat is for the wrong right – e.g. a threat of infringement of a registered Community design for a whole article which could be justified in respect of an unregistered Community design for part of the same article?

Professional Advisors – [section]D

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.

(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) 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.

50. Entirely new provision intended to prevent “misuse” of the threats provision. From the point of view of the aggrieved person, changes are that (a) they can no longer use the threats provisions tactically by joining legal advisors and (b) they cannot look to the professional advisor to pay damages if the lay client becomes insolvent (unless there is a malicious falsehood claim).

51. Must be acting on client instructions - privilege issues? Law Commission’s view¹⁰ (emphasis added):-

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.

52. Additional notes: (1) not limited to UK based professional advisors; (2) The advisor needs to be regulated. If they do not join the professional body, the protection is not available.

Pending rights and supplementary provisions

70E Supplementary: pending registration

(1) In sections 70 and 70B references to a patent include references to an application for a patent that has been published under section 16.

¹⁰ Para 2.24 - Law Com No. 360

(2) Where the threat of infringement proceedings is made after an application has been published (but before grant) the reference in section 70C(3) to “the patent” is to be treated as a reference to the patent as granted in pursuance of that application.

70F Supplementary: proceedings for delivery up etc.

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) (order to deliver up or destroy patented products etc.).”

- 53. Section 70(E) and its equivalents clarify existing law in relation to patent applications and extends it to all other relevant IP rights.
- 54. Section 70(F) and its equivalent clarify some uncertainty in the old law.

Pending rights – patent applications etc.

- 55. In the UK, one cannot start proceedings until the patent/trade mark/registered design is granted, even though, once granted, the infringement provisions may be retrospective – e.g. the trade mark registration dates back to the date of application.
- 56. The old law in relation to patent applications was considered in the various *Brain v Ingledew Brown Bennison & Garrett* cases:-
 - (1) No. 1 [1995] FSR 552 - Jacob J
 - (2) No. 1 (appeal) [1996] FSR 341
 - (3) No. 2 [1997] FSR 271 – Laddie J
 - (4) No. 3 [1997] FSR 511 – Laddie J
- 57. See also *Global Flood Defence Systems v Johan Van Den Noort Beheer BV* [2016] EWHC 1851.
- 58. Problem areas considered in *Brain* and *Global Flood*:-
 - (1) What is the meaning of a threat to sue when the right is only an application? Is it a threat to sue on the application or is it a threat to sue on the patent when granted?
 - (2) Can such a threat ever be justified? If so what must be shown to justify the threat?

- (3) What happens if the application is still pending at the date of the trial?
- (4) What factors determine the trial date?
59. *Brain* and *Global Flood* indicate that pre-grant threats will normally be taken to be threats to sue on the right when granted. The nature of the threat will determine whether the threat is a threat to sue (a) only if and when the right is granted on post grant acts or (b) on such pre-grant rights as may exist as well as post grant rights.
60. For trade marks and designs the registration dates back to the date of application. For patents section 69 gives pre-grant rights as follows:
- (1) Where an application for a patent for an invention is published, then, subject to subsections (2) and (3) below, the applicant shall have, as from the publication and until the grant of the patent, the same right as he would have had, if the patent had been granted on the date of the publication of the application, to bring proceedings in the court or before the comptroller for damages in respect of any act which would have infringed the patent; and (subject to subsections (2) and (3) below) references in sections 60 to 62 and 66 to 68 above to a patent and the proprietor of a patent shall be respectively construed as including references to any such application and the applicant, and references to a patent being in force, being granted, being valid or existing shall be construed accordingly.
- (2) The applicant shall be entitled to bring proceedings by virtue of this section in respect of any act only—
- (a) after the patent has been granted; and
- (b) if the act would, if the patent had been granted on the date of the publication of the application, have infringed not only the patent, **but also the claims (as interpreted by the description and any drawings referred to in the description or claims) in the form in which they were contained in the application immediately before the preparations for its publication were completed by the Patent Office.**
61. In *Global Food* the court considered whether pre-grant threats could ever be justified because any pre-grant threat could only be a threat to sue in respect of section 69 type rights, and not infringement rights provided by section 60. Arnold J concluded that the threats could be justified by showing the acts would infringe the patent when granted.

62. Under the provisions of the Act, it is apparently only necessary to show that the acts would constitute infringement of the patent or other right when granted (does section 69(2)(b) apply?).
63. Presumably the Act has to be interpreted to mean that a threat made after application or grant in respect of acts taking place before a trade mark is applied for, or before a patent is published so as to give rise to section 69 rights, cannot be justified.

Trial date

64. How does the court fix a trial date for a threats claim, when the application is pending, and may not be granted for some time? Can a claimant press on quickly and hope the case comes to trial before the patent is granted? Can the court consider what the claims might be on the balance of probabilities if granted?
65. A similar problem, but the other way round, may arise where there is a threats claim in the UK courts (which the rights owner is seeking to justify) but there is a validity challenge in another jurisdiction. Can the threats claimant ask for the trial to be postponed, or does the court assume the right is valid at the date of the trial.
66. *Brain* (Laddie J) (emphasis in original)

Absent a granted patent at the time of trial, I fail to see how a defence under the wording of section 70(2) can arise or be determined. The words of the section make it clear that the defence only arises if the defendant *proves* that the acts complained of *constitute an infringement of a patent*. ... I do not consider an inability to run the defence in those circumstances to be unfair on the defendant. A defendant who chooses to issue threats on the basis of a patent application exposes himself to the risk that, if those threats are made the subject of an action under section 70, by the time of the trial he will not have available to him the defence under section 70(2) which he would have had had he held back until his patent had been granted. If he chooses to take the risk of issuing threats on the back of an application and not a granted patent, he cannot complain if, at the date of the trial, one of the statutory defences under the Act is not available to him.

[Paragraph in which Laddie J indicated not appropriate to consider hypothetical claims – claims which might be granted]

... No application for a stay was raised before me as such. It may be that there will be cases where a final resolution in the EPO is imminent and a short stay may not be improper, but I think the court should be very careful before acceding to any such request. Usually a plaintiff comes to

the court to restrain threats because he alleges that his business has been damaged and continues to be damaged by the threats which the defendant has made. As I have already indicated, a defendant who makes such threats when he has no granted patent takes the risk that the injured party will bring proceedings on rapidly for the purpose of putting an early end to the harm to his business. If that happens, it may well be that a defence under section 70(2) will not be available at the time when the court has to determine the issue. I do not think it would be appropriate for me to stay these proceedings, even if that application was properly before me."

67. In *Global Flood* (in the IPEC):

- (1) A threat was made in respect of a European patent application. An interim injunction restraining threats was made on 29 January 2015. At the same CMC hearing the trial was ordered to be heard on 8th and 9th December 2015, and a further CMC directed for October 2015.
- (2) On 5th October Ds applied to adjourn the threats trial. The application was not adjourned because the status of the patent was not clear.
- (3) On 9 October 2015 the EPO provided a "communication about an intention to grant a European Patent". On the same day, observations were submitted regarding amended claims (which had been filed on 18 September 2015). On 22 October 2015 translations of the claims were filed.
- (4) On 19 November 2015 the EPO notified D that following examination, a decision to grant the patent would take effect when the European Patent Bulletin mentions the grant, which would be on 16 December 2015.

68. HHJ Hacon adjourned the threats trial. The decision was upheld by Arnold J on appeal. Given that the grant of the patent was imminent an adjournment was fully justified.

[39] Lastly, I consider that the most powerful points made by counsel for the Claimants concern the need for certainty and the difficulty that will arise if the patent is not granted by the date of trial. But the force of these points should not be overstated. In any case where the person making the threat seeks to justify it, there may need to be a trial of issues of infringement and/or validity. Thus there can in any event be considerable uncertainty until the court determines these questions.

Furthermore, in the event of an appeal, that uncertainty will extend until the decision of the Court of Appeal. Still further, it should be borne in mind that, where the patent (application) in question is a European patent (application), the patent may be subject to opposition proceedings in the EPO which can last for many years. The decisions taken in such opposition proceedings can have the effect of reversing earlier decisions of the domestic courts at least unless damages have been paid (see *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd* [2013] UKSC 46, [2014] AC 160). In these circumstances the uncertainty can last a long time. The additional potential uncertainty if grant of the patent is still awaited at the date of the threat may be undesirable, but it does not greatly alter the position. As for the point that the availability of a defence should not depend on the trial date, I agree that this is a genuine concern, but for the reasons explained below I do not consider that the problem is insoluble.

69. With regard to Laddie J in *Brain*:

[44] While I do not question Laddie J's decision in the circumstances of that case, it seems to me that the last paragraph of the passage I have quoted from his judgment omits a significant consideration, which is the availability of an interim injunction. It is common in threats cases for the claimant to seek and obtain an interim injunction to restrain the making of further threats pending trial. If the claimant is protected by an interim injunction in the meantime, then in most cases it should not be prejudiced by a delay in the trial of the issue of justification until the patent is granted. I recognise, of course, that the claimant must give a cross-undertaking in damages in order to obtain an interim injunction. While in principle the claimant will not want to be exposed to potential liability under the cross-undertaking for an open-ended period, in most cases it is difficult to see what recoverable loss the defendant will have sustained through being wrongly restrained from making threats because the threats turn out to have been justified. There may be cases where the defendant is able to show that it has suffered loss in the form of the costs of having to issue proceedings against other parties which would otherwise have been unnecessary, but this will not be possible if the patent has not yet been granted.

AIPPI UK
Is that a threat?
The Intellectual Property Unjustified
Threats Act 2017

12th December 2017

Michael Hicks, 5 New Square, Lincoln's Inn

Commencement and transitional provisions

- Intellectual Property (Unjustified Threats) Act 2017 (the “Act”).
- The Intellectual Property (Unjustified Threats) Act 2017 (Commencement and Transitional Provisions) Regulations 2017 - SI 2017 No. 771.

Commencement: 1st October 2017 for all provisions except those relating to UPC - regulation 2(1). UPC provisions come into force on the date of date of entry into force of the Agreement on a Unified Patent Court signed at Brussels on 19th February 2013 - regulation 2(2).

Transitional provisions: proceedings in respect of alleged threats are to be determined in accordance with the law in force at the time the alleged threat was made – regulation 3.

Common law remedies

- Common law torts and other remedies are in addition to the provisions of the Act.
- Possible routes:-
 - 1) malicious falsehood;
 - 2) defamation;
 - 3) abuse of process
 - 4) contempt of court;
 - 5) inducing breach of contract/causing loss by unlawful means.

Malicious Falsehood

Three requirements: -

1. statements published about the claimant which are false
2. published maliciously
3. damage – e.g. economic loss.

Malice is often difficult to establish.

Malice will be inferred if the words were calculated to produce damage, and the defendant knew when it published them that they were false or was reckless as to whether they were false or not.

Kaye v. Robertson [1991] FSR 67

Malicious falsehood examples

- *Halsey v Brotherhood* (1881) 19 Ch D 386. Patent infringement threats. Claim failed because malice not shown. Led to introduction of statutory provisions
- *Greers Ltd v Pearman & Corder Ltd* (1922) 39 RPC 406. Threats made in respect of use of word “Banquet” for chocolates. Malice established - each registration had a disclaimer to the exclusive use of the word “Banquet”.
- *CHC Software v. Hopkins & Wood* [1993] FSR 241. Defendant solicitors ordered to disclose names of persons to whom arguably false letter regarding copyright infringement was sent so that CHC could correct.

Defamation

Need to show damage to good name or reputation (compare requirement for damage for malicious falsehood).

Possible examples:

- Deliberate and flagrant infringer.

Creative Resins v. (1) Glassam (2) Donne Mileham & Haddock and another [2005] EWHC 777 (QB). (D2 was a firm of solicitors)

- False allegation that a person is a counterfeiter?

Abuse of process/contempt

Landi den Hartog BV v Sea Bird [1976] FSR 489

S suing Y, a distributor of L, considered to be for the purpose of harassing L and not a genuine attempt to enforce rights against Y.

S restrained from bringing further actions against L's customers without the leave of one of the patents judges on ground of abuse of process.

Therm-A-Stor v Weatherseal [1981] FSR 579 (CA)

T wrote letter to customers falsely stating an order had been made in T's favour against W and goods might not be supplied: clear contempt.

Section 70 – Threats of infringement proceedings

- Law as to what a threat is remains essentially the same – the reasonable person test: *L'Oréal (UK) Limited v. Johnson & Johnson* [2000] FSR 686
- Old law - *Best Buy v. Worldwide Sales Corporation* [2011] EWCA Civ 618
- Provision now extended to cover threats to bring proceedings for acts in the UK, whether or not the threat is to bring the proceedings in a UK court or another court.
- Section 70F – in section 70(1)(b) reference to proceedings includes a reference to proceedings for delivery up or destruction.

Threats - particular facts

eBay and other complaint procedures:

- *Quads 4 Kids v. Campbell* [2006] EWHC 2482 (Ch)
- *Cassie Creations v. Blackmore and Mirrorkool* [2014] EWHC 2941 (Ch)
- *T&A Textiles and Hosiery Limited v. Hala Textile UK Limited* [2015] EWHC 2888 (IPEC)

Without prejudice negotiations:

- *Unilever v Procter & Gamble* [1999] EWCA Civ 3029
- But see *Best Buy* [43] to [45]

Can't "undo" a threat once made, but an attempt to do so may be relevant to relief:

- *Prince Plc v Prince Sports Group Inc.* [1998] FSR 21

Threat to join new defendant to existing proceedings?

Section 70A - Actionable Threats (part 1)

Subsection (1) Person aggrieved

No change in the law. Damage which is not minimal. *Brain v Ingledew Brown Bennison & Garrett (No 3)* [1997] FSR 511 at 516-520

A fairly low threshold, but a few cases have failed on this ground e.g.

- *Samuel Smith Old Brewery (Tadcaster) v Philip Lee* [2011] EWHC 1879 (Ch)
- *Reymes-Cole v Elite Hosiery* [1965] RPC 102 – the party ceased to supply the alleged infringement before the threat was made.

Section 70A - Actionable Threats (part 2)

Law Commission policy:

- Communication with actual or potential secondary infringers should be the exception and not the rule. However, there are occasions where communications are necessary or could even resolve a dispute.
- Disputing parties should be allowed more easily to comply with pre-action protocols.

Subsections (2) to (4) – exceptions relating to primary acts

Existing law permitting threats relating to primary acts has been replicated, but expanded. Primary acts are (new provisions emphasised): -

- **Patents**: making or importing a product for disposal; using a process; **intending to do a primary act**.
- **Trade Marks**: applying, **causing another person to apply** a sign to goods or their packaging; importing goods or packaging; **intending to do a primary act**.
- **Designs (all)**: making or importing a product for disposal; **intending to do a primary act**.

Cavity Trays Ltd v RMC Panel Products Ltd [1996] RPC 361 problem resolved

Section 70B – Permitted communications

- Significant change in law
- No express threats permitted: section 70A(6)
- Permitted
 - Giving notice of the right.
 - Discovering whether and by whom there has been infringement.
 - Giving notice where the right requires a person to be put on notice for the purpose of infringement – e.g. secondary infringements of design right where knowledge is relevant.
- Not permitted
 - requesting person to cease doing an infringing act;
 - requesting a person to destroy or deliver up an article;
 - requesting a person to give an undertaking.

Section 70B(3) – expansion of permitted purposes

(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 that it is in the interests of justice to do so.

Law Commission: “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”.

Section 70C – Remedies and defences (part 1)

Remedies: subsection (1) and its equivalents are unchanged from the current law.

Justification: subsection (2) and its equivalents (subsection (3) for patents) make adjustments to the law (see later)

Reasonable steps: subsection (3) and its equivalents (subsection (4) for patents). This provision rolls out the reasonable steps defence, previously available only for patents – old section 70(6) – for all relevant IP rights.

The wording has been revised from section 70(6) to make it clear what must be done before the defence is available.

Section 70C – Change regarding justification

Invalidity: Section 70(2A)(a) Patents Act 1977 (and its equivalents) used to provide that if the defendant [right owner] showed that the acts in question constituted an infringement of the [right], the claimant was only entitled to relief if he could show the [right] was invalid.

This provision is no longer present: the Law Commission explained that it was not necessary because an invalid right cannot be infringed, therefore a threat made in respect of it cannot be justified.

Section 70C – Change regarding justification

Knowledge: Section 70(2A)(b) provided a special defence for patentees as follows:

(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.**

This defence is no longer available.

Section 70D – Professional advisors (part 1)

- Intended to prevent “misuse” of threats provisions.
- Must be acting on client instructions
- Must identify the client
- Not limited to UK based professional advisors.
- The advisor needs to be regulated. If they do not join the professional body, the protection is not available.

Section 70D – Professional advisors (part 2)

Privilege issues - Law Commission's view (emphasis added):-

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.

Section 70E – pending rights (part 1)

- (1) In sections 70 and 70B references to a patent include references to an application for a patent that has been published under section 16.
- (2) Where the threat of infringement proceedings is made after an application has been published (but before grant) the reference in section 70C(3) to “the patent” is to be treated as a reference to the patent as granted in pursuance of that application.

Section 70E – pending rights (old law)

Old law in relation to patent applications was considered in the various *Brain v Ingledew Brown Bennison & Garrett* cases:-

- No. 1 [1995] FSR 552 - Jacob J
- No. 1 (appeal) [1996] FSR 341
- No. 2 [1997] FSR 271 – Laddie J
- No. 3 [1997] FSR 511 – Laddie J

Also *Global Flood Defence Systems v Johan Van Den Noort Beheer BV*
[2016] EWHC 1851.

Section 70E – pending rights (questions)

- 1) What is the meaning of a threat to sue when the right is only an application? Is it a threat to sue on the application or is it a threat to sue on the patent when granted?
- 2) Can such a threat ever be justified? If so what must be shown to justify the threat?
- 3) What happens if the application is still pending at the date of the trial?
- 4) What factors determine the trial date?

Section 70E – pending rights (*Brain*)

Brain (Laddie J):

Absent a granted patent at the time of trial, I fail to see how a defence under the wording of section 70(2) can arise or be determined. The words of the section make it clear that the defence only arises if the defendant proves that the acts complained of constitute an infringement of a patent. ... I do not consider an inability to run the defence in those circumstances to be unfair on the defendant. A defendant who chooses to issue threats on the basis of a patent application exposes himself to the risk that, if those threats are made the subject of an action under section 70, by the time of the trial he will not have available to him the defence under section 70(2) which he would have had had he held back until his patent had been granted. If he chooses to take the risk of issuing threats on the back of an application and not a granted patent, he cannot complain if, at the date of the trial, one of the statutory defences under the Act is not available to him.

Section 70E – pending rights (Global Flood)

Global Flood:

- Threat made in respect of a European patent application.
- 29 January 2015 - interim injunction restraining threats; trial directed for 8th and 9th December 2015; further CMC directed for October 2015.
- 5 October 2015 - D applies to adjourn threats trial. That application adjourned because status of patent not clear.
- 9 October 2015 - the EPO provided a “communication about an intention to grant a European Patent”. On the same day, observations submitted regarding amended claims (which had been filed on 18 September 2015).
- 22 October 2015 - translations of the claims filed.
- 19 November 2015 - EPO notified D that following examination, a decision to grant the patent would take effect when the European Patent Bulletin mentions the grant, which would be on 16 December 2015.
- HHJ Hacon adjourned the threats trial. Upheld by Arnold J on appeal. Given that the grant of the patent was imminent an adjournment was fully justified.

THE END