



Intellectual
Property
Office

Discussion paper on proposed reform to the law relating to unjustified threats on intellectual property rights



Ministerial Foreword



I would like to thank the Law Commission for producing two high quality reports into the complex area of unjustified threats of infringement of patent, trade mark and design rights.

These proposals will clarify the law, making life easier for businesses and entrepreneurs. They will also 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 proposals are anticipated to encourage businesses to resolve disputes without the need for litigation, and to reduce the burden on businesses by up to £750 when they seek legal advice, representing a significant cost reduction for our small businesses.

I look forward to receiving your comments.

Lucy Neville-Rolfe

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

Introduction

Unjustified Threats on Intellectual Property Rights: patents, trade marks and designs

UK law provides a statutory right of redress against unjustified (or groundless) threats to sue for infringement of a patent, trade mark or design right (the threats provisions).

The statutory provisions have been criticised for not working 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.

The difficulty navigating these provisions can also be viewed as at odds with the principle of “talk first, sue later” and therefore may tend to increase levels of litigation.

Therefore in 2012 the Department for Business, Innovation and Skills (BIS) and the Intellectual Property Office (IPO) asked the Law Commission to review the relevant law. Following a consultation in 2013 and a response report in 2014, the Law Commission has now presented a final Report and published draft Bill text.

The government has been supportive of the Law Commission work to date and is currently considering the Law Commission’s Report and the draft Bill that accompanied it.

Recommendations for reform

The recommendations under consideration will reform the groundless threats provisions for patents, trade marks and designs. The aim is to clarify the law and to prevent the misuse of threats to intimidate or gain an unfair advantage in circumstances where no infringement of an IP right has actually occurred.

The reforms are concerned with clarifying the type of communications which are permitted between parties involved in a dispute over IP infringement, and encouraging constructive discussions between the parties. In particular, the objective is to provide a clear framework within which businesses and their professional advisors can operate to resolve disputes, including attempting to negotiate a settlement before turning to litigation.



Previous consultation

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 provisions¹.

The Law Commission published a Consultation Paper in 2013. This paper² sought views on two possible models for reform. The first was to retain but reform the current law. The second was to replace the current provisions altogether with a new tort based on unfair competition. The Law Commission asked whether the protection against unjustified threats should be retained, and examined the benefits and drawbacks of each approach.

Responses showed strong support for retaining protection against unjustified threats. Overall those who responded preferred the model which proposed to reform the existing law. It was felt that this would be less disruptive as it would be based on familiar elements. The consultation exercise was followed by a Law Commission Report in April 2014³. The Report summarised the responses received and made 18 recommendations for reform.

The government responded on 26 February 2015. It accepted outright 15 of the recommendations presented. The remaining three were accepted in principle, but with further comments and considerations.

The government then tasked the Law Commission with drafting a Bill. This was published along with the Law Commission final report on 12th October 2015.

The issue of whether, and how, the threats provisions should apply to European patents with unitary effect (Unitary Patents) when those rights are introduced was raised by consultees in the 2013 consultation exercise. This issue was discussed in the 2014 report, but no final recommendations were made. The Commission's provisional conclusion was that the threats provisions should apply to Unitary Patents. In 2015 the Law Commission sought views from stakeholders and on being satisfied that there was significant support for extending the protection to the new rights, the Commission made two new recommendations in the 2015 final report.

The Law Commission's work was supported by a working group composed of members of relevant IP interest groups, judges and lawyers. They have also engaged with Scottish interests through the Scottish Law Commission, and other groups as listed in the report.

¹ <http://www.lawcom.gov.uk/project/patents-trade-marks-and-design-rights-groundless-threats/>

² http://www.lawcom.gov.uk/wp-content/uploads/2015/03/cp212_patents_groundless_threats.pdf

³ http://www.lawcom.gov.uk/wp-content/uploads/2015/03/lc346_patents_groundless_threats.pdf

The contents of the draft Bill

The Intellectual Property (Unjustified Threats) Bill is made up of nine clauses of which six set out the substance of the reform for each of the national and Community rights concerned. The later clauses deal with technical matters such as territorial extent and commencement.

The substantive clauses substitute the current threats provisions within the Acts that contain them. The aim is to bring the law for trade marks and designs into line with that for patents which was reformed in 2004 and to provide a clearer framework within which businesses and their professional advisers can operate to resolve disputes.

The main provisions:

1. Extend the changes made for patents to the other rights so that a rights holder may challenge someone who is a primary actor without fear of facing a groundless threats action. A primary actor is someone who carries out (or intends to carry out) acts that can cause the most commercial damage, such as an importer.
2. Protect retailers, suppliers and customers against unjustified threats.
3. Provide a framework within which disputing parties can exchange information to resolve the issues between them with a view to avoiding litigation.
4. Protect professional advisers from personal liability for making threats when they act for their clients; and
5. 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 Unified Patent Court.

Next steps

The government remains keen that this work should be implemented, and intends to bring forward primary legislation to enact the necessary reforms in due course. The government will consider whether it might be possible to introduce these proposals via the special Parliamentary procedure which is available for Bills that implement Law Commission recommendations.

In October 2010, the House of Lords approved a special procedure for uncontroversial Law Commission bills, to be used exclusively for those that attract a broad consensus of support in Parliament. We are considering whether this procedure would provide an opportunity for the passage of the Intellectual property (Unjustified Threats) Bill.

Details of the procedure are available, in the note re trialing the procedure in 2008, at:

<http://www.publications.parliament.uk/pa/ld200708/ldselect/ldprohse/63/6302.htm>



Regulatory Impact

It is estimated that ongoing benefits will result in total savings to businesses of around £1.66 million per annum. This is due to a reduction in the number of cases in which this area of the law will be engaged (best estimate of savings around £1 million per year), as well as a reduction in the level of advice required even in cases in which it is engaged (savings of £659,500 per year).

The regulatory impact has been assessed, as per the Impact Assessment that accompanies this paper.

Questions

Following the publication of the final Law Commission report, the government is keen to confirm stakeholder views.

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?

Please respond to each question in the affirmative/negative, with any further comment expressed in no more than 250 words).



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Responding to the discussion paper

Please email your responses, including any answers to the above questions and any other views you may have to: IPUnjustifiedThreats@ipo.gov.uk

Alternatively, please use the following postal address:

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Please let us have your comments by 13th November 2015.

Responses are welcomed from any individual, organisation or company. Copies of this document, including large print versions, are available from the contact address given above.

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