

GOWER REVIEW ON INTELLECTUAL PROPERTY

The Law Society's response

April 2006



The Law Society



The Law Society of England and Wales is the professional body responsible for the representation and regulation of approximately 100,000 solicitors in England and Wales. The enclosed response has been prepared on behalf of the Law Society by its Intellectual Property Working Party which is made up of experienced practitioners specialising in Intellectual Property.

We have read the submissions of the Intellectual Property Lawyers' Association and the City of London Law Society's Intellectual Property Committee's responses and we generally adopt the comments made by both of those organisations subject to the points below and do not propose to duplicate all that they say .

We share the concerns expressed by the City of London Law Society about the apparent composition of the Review team and we also are happy to offer a member of the Law Society's Intellectual Property's Working Party to assist with responses.

We also agree with IPLA's comments about making fundamental changes which could result in unintended consequences and agree that it is generally inappropriate to alter the IP position in relation to particular sectors of industry. We share their concerns about the issues of uncertainty and the requirement for clarification before the Court of First Instance and the ECJ, particularly bearing in mind the delays and difficulties which surround these institutions as referred to below and in the submissions referred. We refer, in particular, to the comments made by Advocate General Sharpston in the *Boehring Ingelheim v. Swingward/Dowelhurst* case (Case C-348/04) delivered on 6 April 2006 when she indicated that she thought it was time that national courts resolved some matters for themselves rather than making innumerable references to the European Court of Justice.

1. How IP is awarded

(a) Are there barriers to obtaining IP rights due to system complexity? What could be done to improve this situation?

There certainly are barriers because of system complexity. However, we recognise that the quality of the rights granted is dependent upon the background work which is

carried out in relation to ascertaining whether the rights are valid and this leads to complexity.

We consider, however, that the main issue in relation to patents is the lack of a European Community Patent and we are disappointed that this has not proceeded because of political issues.

We attach a copy of our response to the recent European Commission questionnaire on the patent system in Europe referring to a variety of issues.

(b) How easy is it to find out about obtaining IP rights? What could be done to improve awareness for businesses and innovators? Is there sufficient awareness of the need to protect IP internationally?

- The UK economy is increasingly dependent on industries where IP is important
- IP is a very technical subject, and it would help the UK economy if more people understood the subject better
- We should encourage the Government to support training courses for both business people and lawyers in IP subjects, at different levels of detail and specialisation

It is worth noting that, a couple of years ago, the DTI awarded £1 million to various university bodies (AURIL, UNICO and PRAXIS) to support training in the field of knowledge transfer. This has supported, for example, various courses on licensing, research contracts, spin-out transactions, etc, by PRAXIS (see www.praxiscourses.org.uk)

Various courses are already available for lawyers in IP subjects, and there may not be any need to make recommendations to Government in this area. We recommend more training of people in commercial organisations in IP-related subjects. Possible routes to doing this might include:

- MBA modules

- post-graduate courses for "business development" staff and other commercial staff, eg in biotech and IT companies

Patent Office website

Various alterations to the UK office website would assist in enabling users to have some of the benefits of the OHIM website. An example is that searching on the website cannot be done unless the mark in question is searched as a whole or if it is the first part of the mark and is three characters or more. In addition, when looking at the background information on a trade mark the information is sketchy and difficult to ascertain. There is also inadequate information about Community Trade Marks with no detailed specification of goods/services. A direct link to the OHIM site would be of assistance. A proprietorship search conducted on the UK site does not include Madrid or CTMs owned by proprietors.

As an aside, in relation to patents, the website is not particularly easy to use and it is quite difficult to print from this, it is important that the information is kept up to date.

There are other practical aspects which should be of assistance. However, it would be fair to say that the UK website is advanced compared to many European countries.

(c) Are there barriers to obtaining UK IP rights on grounds of cost? What drives these costs?

There are barriers to obtaining IP rights on the grounds of costs but we do not consider that these are particularly different from costs in other European countries. There is obviously an issue in relation to SMEs and this Review could consider other means of assisting SMEs by way of grants or tax credits.

(d) How do these costs compare internationally in your organisation's experience?

As above.

- (e) Do you have any comments on the UK Patent Office fees structure for obtaining and renewing IP protection?

We consider that this is in line with other European countries.

- (f) Is lack of trust in the system a barrier? To what extent do you rely on other tools to bring innovation to the marketplace, such as being first to market, maintaining trade secrets, or using an open innovation model to generate value through reputation or network effects?
- (g) Are there specific barriers to obtaining IP rights in your sector?
- (h) Are there specific barriers to obtaining IP rights for small businesses or individuals?
- (i) How well does the national system for awarding IP, administered by the Patent Office perform? How well do the international and European systems work?

See response to the EU questionnaire on European patent systems at **Schedule A**.

2. How IP is used

- (a) What types of IP does your organisation use and why?
- (b) To what extent do you seek multiple overlapping forms of IP protection?
- (c) To what extent are these decisions influenced by sector-specific considerations?

- (d) How does your company value its IP? Are there problems with raising finance against intangible assets based on IP? What improvements could be made in this area?
- (e) To what extent does the term of IP rights at the margin affect investment decisions?
- (f) How well does the UK IP system promote innovation?
- (g) To what extent does your organisation make use of other methods used by Government to encourage innovation, such as public funding?
- (h) Are data on the use of patents and other forms of IP useful as a means of measuring innovation?
- (i) Do you have any evidence as to the static or dynamic costs that IP rights (as statutory monopolies) impose on the economy?
- (j) Have you encountered patents or other IP rights being used defensively, i.e. obtained not to develop products, but only to prevent others from doing so? Under what circumstances do you consider this acceptable?

3. How IP is licensed and exchanged

- (a) How easy is it to negotiate licences to use others' IP for commercial or non-profit purposes?

(b) What mechanisms do you use for finding potential licensing partners?

(c) How easy is it to use others' IP for research purposes? Have you experienced difficulty around research exemptions?

The abolition of the research exemption for non-private research has caused significant difficulties both for clients and law firms (particularly given that much of the literature that we would want to use and reproduce is available on the internet). Whilst the abolition of that exemption did make sense for some areas of copyright (e.g. paintings, music), it is far less appropriate for other forms of copyright (e.g. literary works in business publications). One of the results of this has been long and tortuous negotiations with entities such as the Copyright Licensing Agency and the Newspaper Licensing Agency, who are effectively charging not insubstantial amounts for what is virtually access to information and use of that information.

(d) Are there specific barriers to licensing in the main forms of IP currently used: patents, copyright, trade marks, and designs?

The lack of any pan-European (or even global) licensing organisations leads to enormous disparities between different countries and makes it very difficult for business to operate on a pan-European/global scale in industries where, in particular, copyright is prevalent (e.g. music, publishing). It is also very difficult to find out which rights management entities own which rights and generally there appears to be a plethora of different collecting societies, with vastly differing terms and conditions. If Europe is to be a single economic entity with minimal restrictions on free trade then this issue needs to be resolved. Generally, collecting societies take a very bureaucratic and non-commercial approach to the licensing of rights.

(e) Are there barriers to licensing IP on grounds of cost? What drives these costs?

- (f) Are there specific barriers to licensing IP in your sector?
- (g) Does your organisation use methods to facilitate exchange of IP - such as cross-licensing or pooling IP rights with other firms or organisations?
- (h) Are there specific barriers to licensing IP rights for small businesses or individuals - for example barriers to entry to patent pools?
- (i) Are there barriers to trade and exchange of IP internationally?
- (j) Does your organisation consider renewing patents using "licence of right" provisions in patent law (which entitle any person to a licence under your patent and reduce your renewal fees by half)?

The compulsory licence provisions tend to be used very infrequently, largely because of their complexity and narrowness in scope. They also do not sit well with the idea of a European economy, let alone a global economy.

- (k) What could be done to improve "licence of right" provisions and business awareness of them?
- (l) Do you have any experience of the compulsory licence provisions within current patent law? Are they effective? How could they be improved?

4. How IP is challenged and enforced

- (a) Are there specific problems with enforcing the main different forms of IP: patents, copyright, trade marks, and designs?

We consider that the laws relating to unjustifiable threats in relation to some IP rights should be abolished and refer to the paper at **Schedule E**.

The UK implementation of EU IP directives has often created difficulties, and occasionally significant difficulties, in enforcement of IP rights. Clarity in the law is clearly an important part of any decision to enforce rights, and IP owners can be significantly discouraged from action if there are uncertainties because of differences between directives and the national implementation of them. There is a need to improve the alignment of UK national law with the wording of the directives it implements, and to ensure that implementing regulations are the subject of sufficient consultation before their introduction.

The judges' approach where UK law deviates from directives in IP matters has recently been simply to turn directly to the directives. This approach however does not always solve the problem, especially where the directive does not seek full harmonisation. There is much to be said for implementing directives without changing language. It is notable and encouraging that this course is increasingly being adopted but there is a back catalogue of legislation that could be better aligned to the directives it implements. We have not gone into detail about all of the relevant issues but are happy to do so if this would be of assistance.

A more serious problem arises from implementing regulations that are introduced with last minute, significant changes which have not been the subject of consultation. This has been the case, for instance, with the regulations implementing the enforcement directive (2004/48). For example, one significant change to the law now bars completely the recovery of legal costs in infringement proceedings in certain circumstances. As far as we are aware, this was not in the draft regulations that were the subject of consultation. It is a significant change in substance that is capable of creating genuine hurdles to IP enforcement, particularly for SMEs. Nor is it mandated by the directive; rather,

it is a change that, prima facie, means that the UK has failed correctly to implement Article 14 of the directive.

The UK is one of the first countries in the EU to implement the directive and that is laudable. However, it would have been preferable to move more slowly and implement after fuller consultation. Given a choice between an early and incorrect implementation and a late but correct one, we believe it is better to adopt the latter option.

- (b) Are there barriers to challenging infringement and enforcing your IP rights on grounds of cost? What drives these costs?

As referred to at the outset of this paper we generally endorse the comments of the City of London Law Society except that our view is that whilst some of the Judges may well appear to be "out of touch" with regard to the level of costs incurred many others are very much in touch but have strong views on what they consider to be an appropriate level of costs which is a different issue.

The current Civil Procedure Rules require all parties in IP matters to supply a schedule of costs incurred/estimated for most interlocutory applications. The rationale, with which we agree, was that this would enable summary assessment of costs to create a greater immediacy about them. Given that this is required before it is known whether there will be any costs order at all it is often a wholly unnecessary expense for one party and difficult to explain to clients. Where a costs award is made, at least one of the parties will have produced a schedule which is arguably unnecessary - other than providing a comparison for the court. We consider that it would be helpful if this costs barrier could be considered.

- (c) To what extent does your organisation make use of other methods than litigation to resolve IP infringement cases,

for example the Patent Office opinion service, mediation services, Alternative Dispute Resolution, or the Copyright Tribunal?

- (d) To what extent do you use IP litigation insurance? How effective is it?

Again we generally endorse the comments of the City of London Law Society except that our experience suggests that it may be unfair to say that "generally insurers do not understand IP well enough to give appropriate cover" or "do not know sufficiently what they are doing" in the conduct of litigation. There are (admittedly almost certainly a minority of) insurers who do have significant knowledge of the former and the majority have considerable experience of conducting litigation.

- (e) Are there barriers to using such methods to settle IP disputes without recourse to litigation? How might they be removed?
- (f) Are there specific barriers to challenging and enforcement of IP rights for small businesses or individuals?

See paper on IP dispute resolution for small and medium sized enterprises and the corporate bodies in relation to relatively small IP disputes at **Schedule B**. This demonstrates how any changes would potentially affect different sectors in different ways. We would repeat our comment under 4(d) above regarding insurers here.

- (g) To what extent is the risk of litigation a factor in your organisation's investment in innovation?
- (h) What are the principal barriers to efficient and successful challenge and enforcement internationally?

SPECIFIC ISSUES

- **Current term of protection on sound recordings and performers' rights**
Background: The Review will fulfil the Government's commitment to examine whether the current 50 year term of protection on sound recordings and performers' rights in sound recordings is appropriate, in the light of its extension to 95 years in a number of other jurisdictions.

- (a) What are your views on this issue?
- (b) Is there evidence to show the impact that a change in term would have on investment, creativity, and consumer interests?
- (c) Are you aware of the impact that different lengths of term have had on investment, creativity, and consumer interests in other countries?
- (d) Are there alternative arrangements that could accompany an extension of term (e.g. licence of right for any extended term)?
- (e) If term were to be extended, should it be extended retrospectively (for existing works) or solely for new creations?

- **Copyright exceptions - fair use / fair dealing**

Background: There are a number of exceptions to copyright that allow limited use of copyright works without the permission of the copyright holder.

- (a) What are your views on the current exceptions in copyright law?

The main difficulties encountered by lawyers and clients around the current exceptions are in understanding how far they extend, given the paucity of relevant case law. Particular difficulties are encountered with the "incidental inclusion" exception by, for example, the film and theatre industries in their use of props. It is often the case that insurers or financiers demand a cautious approach, leading to extra expense even though it is unlikely that any rights-owner will be damaged. A clearer exposition of the law may avoid this.

Difficulties are also encountered due to the lack of harmonisation of most of the exceptions between Member States, this being an area largely left to Member States' discretion under the Copyright Directive (2001/29/EC). As a result, expensive clearance exercises are often required to be conducted on a country by country basis.

- (b) Could more be done to clarify the various exceptions?

As above.

- (c) Are there other areas where copyright exceptions should apply?

- (d) Are the current exceptions adequate or in need of updating to reflect technological change? For example copyright law in the UK does not currently have a private "fair use" exception. Such an exception might allow individuals to copy music CDs onto their PC and MP3 player for their personal use. Should UK law include a statutory exception for "fair use"?

The fact that copyright law is broken by anyone who "rips" a CD they have purchased for playing on their MP3 player - which must include almost anyone

who owns such a player, but without any action being taken by rights-owners to enforce rights, makes a mockery of the strict legal position and the lack of a fair use exception in the UK. The law is in danger of being inexplicable to and ignored by those it is intended to bind. The mechanisms investigated in other countries to deal with this issue should be re-examined in the UK.

- (e) How would you see content owners being compensated for such use?
- (f) To what extent has technological change presented difficulties in use of copyrighted material in the field of education?
- (g) Are there issues concerning the archiving of material covered by copyright?
- Copyright – digital rights management

Background: Increasingly digital media content is distributed with digital rights management (DRM) technologies that can enable rights-holders to track usage and prevent unlicensed copying by technological means. However concerns have been raised about interoperability and that such technologies may impair the content consumer's legal rights. For example they may be unable to take into account exceptions to copyright, the ultimate expiry of copyright term, or the future evolution of technology. They may therefore undermine legitimate rights to access digital content, now and in the future. (NB: We are aware of all formal submissions that have been made to the All Party Parliamentary Internet Group on this issue.)

- (a) Do you have a view on how the use of digital rights management technologies should be regulated?
- Copyright – orphan works

(a) Have you experienced any difficulties in identifying the owners of copyright content when seeking permission to use that content?

(b) Do you have any suggestions on how this problem could be overcome?

- Copyright - licensing of public performances

(a) Have you encountered problems with the system of licensing and paying royalties to collecting societies for public performance of music and/or sound recordings?

(b) Could the system be clarified or simplified, and if so how do you see this working?

- Patents – utility models

Background: Some countries, notably Germany, have a “utility model” system offering protection for simple inventions, usually subject to less examination and shorter terms than standard patents.

(a) Do you have a view on some sort of second tier patent system?

Generally we do not consider that there should be a second tier patent system. This would add to cost and complexity. However, it is inconsistent with the concept of harmonised intellectual property in Europe for there to be a second layer of IP rights in one country such as the Gebrauchsmuster in Germany. However, if the costs and delays of the current patents system are creating difficulties for business a second tier should be considered.

(a) Has your organisation encountered problems in protecting its IP internationally where such systems exist?

- Pharmaceutical Supplementary Protection Certificates (SPCs)

Background: SPCs are a “sui generis” IP right available in EU Member States for pharmaceutical products (as well as plant protection products). The standard patent term is 20 years. SPCs aim to compensate rights holders for the time required to obtain regulatory approval for their products. Where regulatory approval is issued more than five years after a patent is granted, SPCs may be granted to extend the term of protection on the active ingredient in the patented product. SPCs last for a term corresponding to the period elapsed between the five-year point and the point at which the product reaches market, up to a maximum term of 5 years.

- (a) Does your organisation use SPCs?
- (b) How fair and effective are they in delivering an incentive for investment?
- (c) How could they be improved?
- (d) Should the term of SPCs be more flexible - perhaps relating straightforwardly to the period between patent award and regulatory approval?

- Trade Marks - international issues

- (a) To what extent does your organisation register its trade marks at the European rather than national level?
- (b) Could the UK trade mark system be improved to work better alongside the European system?

There is a huge problem of inconsistency in decision making in relation to the European trade mark system.

This inconsistency is borne out by looking at decisions of the institutions of OHIM and the national Registries and their relevant appeal procedures and national courts which may or may not follow the guidance of the Court of First Instance and the European Court of Justice.

In addition, the European Court of Justice makes decisions which are sometimes Delphic in their obscurity. This is put down to a number of things but, in particular:

- (a) the nature of the Tribunals whereby political compromises have to be carved out amongst the various judges; and
- (b) the fact that often the judges have little knowledge of the particular subject matter.

The decisions are frequently drafted by the staff who are therefore far more responsible for the findings than perhaps should be the case and their drafts are then tinkered with by the Tribunal, often resulting in contradictory and unclear decisions.

This is a more general European problem rather than a UK problem but increased coordination such as more frequent judges' conferences and those judges hearing the voice of users would assist.

- **Examination on relative grounds**

Examination on relative grounds is an issue in the UK currently. In a system that is supposed to be harmonised at best and approximated at worst, it is not realistic for there to be different systems in different European jurisdictions.

However, obviously on the one hand, examination on relative grounds makes the procedure more costly but, on the other hand, without such examination

there is more uncertainty about the validity of marks on the Register. This can be seen in clearance projects where the Community Trade Mark Register is awash with conflicting marks whereas the UK Register is clearer making opinions on the marks which exist on the Register more determinative and giving greater possibility to find registrable marks.

The proposal to amend the Madrid system to stop central attack may assist the cost and effectiveness of the international trade mark system.

The abolition of central attack would also assist in clearance projects and policing. Overall we take the view that this would be beneficial as long as proper examination is carried out.

The UK Registry appears to be more reluctant to permit the registration of non-traditional marks than is the case in other European countries or at OHIM. We again consider that there should be consistency.

- Designs - registered designs and unregistered design rights

The online search of the designs registry makes it almost impossible to search the UK site. Proprietorship searches and searches on the subject matter are both basic requirements which do not exist.

(a) To what extent does your organisation rely on registered designs? And on unregistered design rights?

(b) To what extent does your organisation register its design at the European rather than national level?

- (c) To what extent does your organisation rely on the European unregistered design right rather than the national UK unregistered design right?
- (d) Could the UK registered design be improved to work better alongside the European system?

The design system throughout Europe is complex. From the UK point of view, the provisions of Sections 51 and 52 of the Copyright Designs and Patents Act 1988 are obscure and clarification and simplification of these provisions would be of assistance.

Bearing in mind the cheapness of the Registered Community Design, one questions why rights owners would wish to use the UK Registered Design. Not only is the Registered Community Design cheap but it is also dealt with speedily. The right may not be valid ultimately. This is a two-edged sword. On the one hand, a rights owner may find it valuable to obtain a right even if it isn't valid and it will have a deterrent effect on infringers. However, the registered rights can be used offensively against legitimate users and, with no real examination, the Register may become congested with invalid rights which would then have to be invalidated if used offensively or if clearance is required.

Bearing in mind the availability of the Registered Community Design, there could be an argument that it would be preferable to abolish the UK Registered Design. However, this is unlikely to be acceptable, even if practicable.

The fact there is substantive examination in the UK and no substantive examination in the EU would suggest that uniformity would be appropriate.

Costs are lower for the UK which would be understandable bearing in mind the different jurisdiction. However, renewal costs are substantially greater in the UK than the EU.

See comparisons attached at **Schedule C**.

(a) Could the UK unregistered design right be simplified to work better alongside the European unregistered design right?

There are various aspects where harmonisation would be of assistance in relation to unregistered designs.

The basic nature of the right has different tests, namely, in the UK *“requires the design to be “original” – not “commonplace” in the design field in question”*.

In the EU absolute novelty and *“individual character is required”*.

The UK does not cover surface decoration whereas the Unregistered Community Design does. Harmonisation of these criteria would assist.

The duration of the right under UK law is extremely complex and difficult for third parties to ascertain the starting date of the right and ultimately the ending of the right up to 10 years later. This is particularly relevant in relation to licences of right.

The EU Unregistered Design right is more straightforward and no licences of right are relevant as the length of the right is merely three years.

The ownership of a UK right is restricted to UK, Channel Islands, Isle of Man, EU and certain other individuals and companies. US companies and individuals, for example, are not permitted to obtain these rights. This is a result of a political issue in relation to the non-recognition of these rights in the US and would require political manoeuvring to alter.

The EU right is available to any person or company.

In relation to infringement, copying is required for both the UK and EU design rights. However, the UK design right requires reproduction of a design by making articles to the design by copying the design so as to produce articles exactly or substantially to that design.

Infringement of the EU design right and infringement will take place if the design does not give the informed user “a different overall impression”.

These differences are confusing and complex and simplification would assist.

See comparisons attached at **Schedule D**.

(b) Do you see a useful role for the UK unregistered design right alongside the European design right?

If there were harmonisation of the two rights and, bearing in mind that the grace period for it is the same, it would be unnecessary to have both.

From a UK and EU perspective this right is of benefit being largely restricted to the EU individuals and companies. However, from a non-EU perspective, this right is detrimental.

- Legal sanctions on IP infringement

(a) Are you aware of any inconsistencies or inadequacies in the way the law applies legal sanctions to infringement of different forms of IP or to different circumstances?

See paper on unjustifiable threats provisions within the UK at **Schedule E**.

- (b) For example, should criminal sanctions on online infringement be the same as those relating to physical infringement?
- Coherence between competition policy and IP policy
 - (a) Has your organisation experienced any activity linked to IP rights that you regarded as unfair competition?
 - (b) How did you deal with this problem?
 - (c) Was competition law effective at controlling this behaviour?

It is important to understand the balance between IP rights and competition in our view and for competition law not to be too restrictive whilst not permitting abuses. The drawback of this is that there is considerable uncertainty amongst IP rights owners and lawyers advising them. The civil nature of enforcement of competition law in the EU and the economic impacts may be a more cost effective way for these issues to be dealt with in Europe. However, it is costly for business and so far there has been little activity at a private level.

- (d) Should competition law have a greater role to play in regulating IP?
 - (e) How would you see the system working?
- Should the Gowers Review of Intellectual Property recommend a consultation to consider a law of Unfair Competition?

1 The unfair competition law in force in Germany

1.1 Legal scope

(1) In order to consider this, reference is made to the unfair competition law in force in Germany.

It is not the purpose of unfair competition law to try to fill the all of the gaps left by specific intellectual property laws such as trade mark, patent and copyright laws. The general clause of the German Unfair Competition Act 2004 (sec. 3) indicates the broad effect of the legislation:

“Acts of unfair competition which are capable of impairing competition to the disadvantage of competitors, consumers or other participants in the market more than insignificantly are impermissible.”

Given that the ways in which traders compete are constantly evolving, any legislation must necessarily provide flexibility. But this broad definition then needs to be given concrete effect by the courts.

Examples of established case law, now codified under the 2004 Act, include:

- ‘supplemental protection for accomplishments’ (similar to passing-off in the UK);
- general market obstruction, either by one company or several acting in concert;
- disguising the advertising character of acts in business;
- unclear or deceptive indication of terms and conditions for quizzes;
- depreciation of competitor’s signs, goods, services, acts or personal or business situation.

The most important application of the law, from an intellectual property rights perspective, is the so-called ‘supplemental protection for accomplishments’. It provides protection for every possible distinctive element in trade, including trade marks, slogans, get-up, products and advertising campaigns. Though copying these distinctive elements may be legitimate as a general rule (subject

to infringement of intellectual property rights), it is not legitimate if the copying is shown to be 'contrary to honest business practice'.

This protection is intended to reward for a trader's efforts in achieving a degree of distinctiveness for his business. It enables him to defend this acquired distinctiveness to prevent third parties from copying it.

It is sufficient that the wrongdoer acts to promote his own or a third party's business. It is not necessary to show that he wilfully intended to harm a competitor or its business.

If intellectual property rights are involved which are specifically protected by other laws, unfair competition laws may be only applicable if the protection provided by those laws is deemed insufficient in the specific case to provide a remedy against a competitor's unfair or dishonest behaviour in trade.

2 How the law is applied in practice

The unfair competition law in Germany can provide claimants with a very fast, efficient and flexible remedy. It may be invoked by individual claimants or by consumer associations, chambers of commerce and industry and other trade associations.

It is often invoked in preliminary injunction applications.

As in England, a preliminary injunction application is primarily concerned with protecting the claimant's position, or preserving the *status quo*, in the period prior to a full trial; it does not allow a claimant to claim damages or other remedies directly. As in England, preliminary injunctions can be obtained within hours or days.

That said, the claimant is normally expected to send a cease and desist letter first, to avoid unnecessary court proceedings. If the claimant fails to send a cease and desist letter before court proceedings, he may be liable for the cost of the proceedings (including statutory legal fees for the other side's attorney) even though his claim is successful. Generally, the losing party will bear these costs.

3 Why should the Gowers Review consider recommending a law on Unfair Competition?

The main consideration in relation to introducing an unfair competition law in England lies in its greater flexibility, in covering not only traditional passing-off but also other commercial misbehaviour amounting to dishonest or otherwise unfair business conduct. A law of unfair competition could enable the courts to do justice in a broader range of circumstances.

Currently the courts sometimes shoe-horn cases of unfair or dishonest behaviour into the traditional passing-off mould. Passing-off is normally actionable where the claimant can show the “classical trinity” of (i) a substantial reputation or goodwill; (ii) a misrepresentation or deception by another trader as to the source of his goods or services; and (iii) damage or a likelihood of damage to the claimant’s goodwill resulting from the misrepresentation. Accordingly, it provides limited protection against unfair or dishonest conduct where the claimant has not had a sufficient time in business to build up substantial reputation or goodwill; and it provides limited protection where a defendant is obtaining an unfair advantage from ‘sailing close to the wind’, where customers are not positively deceived by his conduct.

A clarification of the law of passing off may be welcomed by business together with consideration of whether passing off falls within the definition of IP or which is relevant for the IP Directive.

There are other potential remedies available to a claimant who suffers from unfair competition, including the tort of malicious falsehood and civil and criminal legislation against misleading advertising. But in practice, these are likely to be harder to invoke effectively than a German-style unfair competition law.

It might be expected that the increased flexibility given to the courts would result in loss of certainty for businesses, in the sense of not knowing where the new boundaries would lie. The German experience is that the courts will fairly quickly build up a sufficient body of experience and case law for this not to be a serious concern.

Most countries in Europe have such a law, and in this regard are more compliant than England with the Paris Convention on Intellectual Property.¹ Therefore a potential further advantage of introducing this law, particularly if other countries that currently do not have it were to follow suit, would be the promotion of a harmonization of the law across Europe. It would be appropriate to consider this in the context also of the Unfair Commercial Practices Directive and its enactment in to UK law.

In conclusion, it is plain that a law of unfair competition such as available in Germany, France, Switzerland and elsewhere in Europe would make it easier for claimants in appropriate circumstances to take action against competitors' unfair or dishonest behaviour. If harmonization were achieved, it would facilitate advertising or marketing decisions for the whole of the harmonized territory. On the other hand, it is not the case that English traders are currently 'without remedy', at least in the majority of situations where a competitor is engaging in false or misleading activities. Consultation would of course be appropriate to ascertain whether businesses would welcome this extra layer of protection, bearing in mind that they may not only be potential claimants, but potential defendants also.

- Parallel Imports / International Exhaustion

We are of the view that the European wide exhaustion rules are satisfactory and do not consider that it is appropriate to extend this to international exhaustion.

¹ See Articles 10*bis* and 10*ter*; available at <http://www.wipo.int/treaties/en/ip/paris/index.html>.

SCHEDULE A

**EUROPEAN COMMISSION Internal Market and Services DG
Knowledge-based Economy Industrial property
Brussels, 09/01/06
Questionnaire
On the patent system in Europe**

INTRODUCTION

The field of intellectual property rights has been identified as one of the seven cross-sectoral initiatives for the Union's new industrial policy as set out in the Commission Communication launched on 5 October 2005. Stimulating growth and innovation means improving the framework conditions for industry, which include an effective IPR system.

In 1997, the Commission launched the idea of a Community Patent in its Green Paper on promoting innovation. This was taken up by Heads of State and Government in the conclusions of the Lisbon European Council of March 2000, who called for a Community patent to be available by the end of 2001. The Community Patent proposal, establishing a unitary system of patent protection for the single market, has formally been on the table of the Council since 2000 but overall agreement is yet to be achieved. The Commission remains convinced that an affordable Community Patent would offer the greatest advantages for business: we owe it to industry, investors and researchers to have an effective patent regime in the EU. Commissioner McCreevy has stated his intention to make one final effort to have the proposal adopted during his mandate. Until the time and conditions are ripe for that effort, the interim period should be used to seek views of stakeholders on an effective IPR system in the EU.

Views are therefore sought on the patent system in Europe, and what changes if any are needed to improve innovation and competitiveness, growth and employment in the knowledge-based economy.

Please note that this consultation focuses on the overall legal framework. Accompanying measures, such as information, awareness raising or support training, are outside the scope of consultation.

The document that follows contains a number of questions: In answering them we would invite you to be as detailed as you can. Supporting evidence and statistics are also welcome.

On the basis of the feedback the Commission intends to organise a hearing in Brussels in early summer 2006.

This consultation is open to all, and will be closed on 31 March 2006.

The Commission services will publish a report on the outcome of this consultation. It will be available on the Internal Market and Services Directorate's General website.

Please either email us at:

Markt-D2-patentstrategy@cec.eu.int

Or send your response by post to:

Mr Erik Nooteboom

Head of Unit

Industrial Property Unit

Internal Market and Services Directorate General European Commission

1049 Brussels Belgium

PRIVACY STATEMENT

Please be sure to indicate if you do not consent to the publication of your personal data or data relating to your organisation with the publication of your response.

The contact data provided by the stakeholder make it possible to contact the stakeholder to request a clarification if necessary on the information supplied.

By responding to this consultation you automatically give permission to the Commission to publish your contribution unless your opposition to publish your

contribution is explicitly stated in your reply. The Commission is committed to user privacy and details on the personal data protection policy can be accessed at:

http://europa.eu.int/geninfo/legal_notices_en.htm#personaldata

For further information please contact Ms Grazyna PIESIEWICZ at gazyrinkAewLicz@ses.e1Lint or at +32.2.298.01.24.

Section 1 - Basic principles and features of the patent system

The idea behind the patent system is that it should be used by businesses and research organisations to support innovation, growth and quality of life for the benefit of all in society. Essentially the temporary rights conferred by a patent allow a company a breathing-space in the market to recoup investment in the research and development which led to the patented invention. It also allows research organisations having no exploitation activities to derive benefits from the results of their R&D activities. But for the patent system to be attractive to its users and for the patent system to retain the support of all sections of society it needs to have the following features:

- clear substantive rules on what can and cannot be covered by patents, balancing the interests of the right holders with the overall objectives of the patent system
- transparent, cost effective and accessible processes for obtaining a patent
- predictable, rapid and inexpensive resolution of disputes between right holders and other parties
- due regard for other public policy interests such as competition (anti-trust), ethics, environment, healthcare, access to information, so as to be effective and credible within society.

- (1) Do you agree that these are the basic features required of the patent system?

We agree with the above save that costs issues in resolving disputes should not be allowed to become the overriding consideration as it is often desirable for there to be a thorough forensic examination of infringement and validity issues which may necessarily have an impact on costs.

- (2) Are there other features that you consider important?

The need for a common and harmonised approach to claim construction across the courts in the EU and rights which can be consistently and effectively enforced throughout the EU.

- (3) How can the Community better take into account the broader public interest in developing its policy on patents?

By raising the profile of its consultation procedures in an effort to involve individual innovators and small businesses in addition to representative and professional bodies.

Section 2 — The Community patent as a priority for the EU

The Commission's proposals for a Community patent have been on the table since 2000 and reached an important milestone with the adoption of the Council's common political approach in March 2003 [<http://ret/cWff7/st07159mOlpdf>]; see also http://europa.eu.int/comm/internal_market/en/indprop/patent/docs/2003-03-patent-costs.en.pdf]. The disagreement over the precise legal effect of translations is one reason why final agreement on the Community patent regulation has not yet been achieved. The Community patent delivers value-added for European industry as part of the Lisbon agenda. It offers a unitary, affordable and competitive patent and greater legal certainty through a unified Community jurisdiction. It also contributes to a stronger EU position in external fora and would provide for Community accession to the European Patent Convention (EPC). Calculations based on the common political approach suggest a Community patent would be available for the whole of the EU at about the same cost as patent protection under the existing European Patent system for only five states.

Question

2.1 By comparison with the common political approach, are there any alternative or additional features that you believe an effective Community patent system should offer?

As indicated above, the EU courts need to develop a uniform and consistent approach to claim construction. The present disparity is exemplified by the differences in approach taken by the UK and German courts respectively which can lead to different conclusions being reached even though both courts are supposed to apply the same set of rules. It may therefore be necessary to adopt the jurisprudential approach of one jurisdiction which is to be followed by the other EU courts in relation to the community patent.

Section 3 — The European Patent System and in particular the European Patent Litigation Agreement

Since 1999, States party to the European Patent Convention (EPC), including States which are members of the EU, have been working on an agreement on the litigation of European patents (EPLA). The EPLA would be an optional litigation system common to those EPC States that choose to adhere to it. The EPLA would set up a European Patent Court which would have jurisdiction over the validity and infringements of European patents (including actions for a declaration of non-infringement, actions or counterclaims for revocation, and actions for damages or compensation derived from the provisional protection conferred by a published European patent application). National courts would retain jurisdiction to order provisional and protective measures, and in respect of the provisional seizure of goods as security. For more information see [[http://www.european-patent-office.org/epo/epla/pdf/agreement draft. pdf](http://www.european-patent-office.org/epo/epla/pdf/agreement%20draft.pdf)]

Some of the states party to the EPC have also been tackling the patent cost issues through the London Protocol which would simplify the existing language requirements for participating states. It is an important project that would render the European patent more attractive.

The European Community is not a party to the European Patent Convention. However there is Community law which covers some of the same areas as the draft Litigation Agreement, particularly the "Brussels" Regulation on Recognition and Enforcement of Judgments (Council Regulation no 44/2001) and the Directive on enforcement of intellectual property rights through civil procedures

(Directive 2004/48/EC). [\[http://europa.eu.int/eurllex/pri/en/oj/dat/2004/1/195/19520040602en00160025.pdf\]](http://europa.eu.int/eurllex/pri/en/oj/dat/2004/1/195/19520040602en00160025.pdf). It appears that there are three issues to be addressed before EU

Member States may become party to the draft Litigation Agreement:

the text of the Agreement has to be brought into line with the Community legislation in this field

the relationship with the EC Court of Justice must be clarified

the question of the grant of a negotiating mandate to the Commission by the Council of the EU in order to take part in negotiations on the Agreement, with a view to its possible conclusion by the Community and its Member States, needs to be addressed.

Questions

3.1 What advantages and disadvantages do you think that pan-European litigation arrangements as set out in the draft EPLA would have for those who use and are affected by patents?

As indicated above, if it can be achieved, parties to disputes conducted by reference to the EPLA will benefit from a consistency of judicial interpretation and uniformity of procedure. Depending on the location of the European Patent Court, parties may be disadvantaged by their relative geographical location and the language barriers or other access to effective legal representation.

3.2 Given the possible coexistence of three patent systems in Europe (the national, the Community and the European patent), what in your view would be the ideal patent litigation scheme in Europe?

In our view, the ideal system would be one which is sufficiently flexible to enable parties to resolve national disputes before the courts of their own jurisdiction but also to be able to resolve pan-EU disputes through a single set of proceedings which would be enforceable throughout the EU. Such a system would probably be akin to that already in place in relation to national and Community trade marks.

Section 4 — Approximation and mutual recognition of national patents

The proposed regulation on the Community patent is based on Article 308 of the EC Treaty, which requires consultation of the European Parliament and unanimity in the Council. It has been suggested that the substantive patent system might be improved through an approximation (harmonisation) instrument based on Article 95, which involves the Council and the European Parliament in the co-decision procedure with the Council acting by qualified majority. One or more of the following approaches, some of them suggested by members of the European Parliament, might be considered:

Bringing the main patentability criteria of the European Patent Convention into Community law so that national courts can refer questions of interpretation to the European Court of Justice. This could include the general criteria of novelty, inventive step and industrial applicability, together with exceptions for particular subject matter and specific sectoral rules where these add value.

More limited harmonisation picking up issues which are not specifically covered by the European Patent Convention.

Mutual recognition by patent offices of patents granted by another EU Member State, possibly linked to an agreed quality standards framework, or "validation" by the European Patent Office, and provided the patent document is available in the original language and another language commonly used in business.

To make the case for approximation and use of Article 95, there needs to be evidence of an economic impact arising from differences in national laws or practice, which lead to barriers in the free movement of goods or services between states or distortions of competition.

Questions

4.1 What aspects of patent law do you feel give rise to barriers to free movement or distortion of competition because of differences in law or its application in practice between Member States?

No comment

4.2 To what extent is your business affected by such differences?

N/A

4.3 What are your views on the value-added and feasibility of the different options

(1) —

(3) outlined above?

Option 1 is certainly feasible whether it would add value must be open to doubt given the likelihood that any references are likely to be subject to extensive delays. It would also be necessary for the ECJ to take on specialist judges who will be able to deal with such references if the scheme is to be effective. It is not thought that option 3 is feasible or will add value. It appears to us to be too uncertain in its application and is susceptible to a lack of consistency.

4.4 Are there any alternative proposals that the Commission might consider?

The abolition of national patent systems of member states in favour of a single community patent system.

Section 5 — General

We would appreciate your views on the general importance of the patent system to you. On a scale of one to ten (10 is crucial, 1 is negligible):

5.1 How important is the patent system in Europe compared to other areas of legislation affecting your business?

N/A

5.2 Compared to the other areas of intellectual property such as trade marks, designs, plant variety rights, copyright and related rights, how important is the patent system in Europe?

We believe it ranks equally with the other monopoly rights referred to above (registered trade marks) but given its importance to technical innovation and its impact on competition, it is probably more important than other quasi-monopoly rights such as copyright and designs.

5.3 How important to you is the patent system in Europe compared to the patent system worldwide?

N/A

Furthermore:

5.4 If you are responding as an SME, how do you make use of patents now and how do you expect to use them in future? What problems have you encountered using the existing patent system?

N/A

5.5 Are there other issues than those in this paper you feel the Commission should address in relation to the patent system?

No comment

(1) If you would like the Commission to be able to contact you to clarify your comments, please enter your contact details.

(a) **Are you replying as a citizen / individual or on behalf of an organisation?**

Organisation

(b) **The name of your organisation/contact person:**

The Law Society of England & Wales – Shruti Gupta

(c) **Your email address:**

Shruti.Gupta@lawsociety.org.uk

(d) **Your postal address**

113 Chancery Lane, London, WC2A 1PL

(e) **Your organisation's website (if available):**

<http://www.lawsociety.org.uk>

(2) Please help us understand the range of stakeholders by providing the following information:

(a) In which Member State do you reside / are your activities principally located?

England & Wales

(b) Are you involved in cross-border activity?

Yes

(c) If you are a company: how many employees do you have?

N/A

(d) What is your area of activity?

Representative body of solicitors practising in England & Wales

(e) Do you own any patents? If yes, how many? Are they national / European patents?

N/A

(f) Do you license your patents?

N/A

(g) Are you a patent licensee?

N/A

(h) Have you been involved in a patent dispute?

N/A

- (i) Do you have any other experience with the patent system in Europe?

SCHEDULE B

Accessibility of IP Dispute Resolution to Small and Medium Sized Enterprises and Other Corporate Bodies with Reference to Question 4 a-h of the Review

INTRODUCTION

1. This paper set out some observations drawn from the experience of the legal profession in representing small and medium sized enterprises and larger corporate bodies in relation to relatively small intellectual property disputes. It describes the means by which intellectual property disputes are currently resolved and makes some suggestions as to how IP dispute determination may be made more accessible. The phrase “dispute determination” is used to describe a process by which a binding decision is issued, as opposed to a process by which a negotiated settlement is reached (either by the parties' own arrangements or through the assistance of a mediator).

OBSERVATIONS

2. The creation and exploitation of intellectual property is recognised by the Government as an essential part of the economic health of the nation. Regional Development Agencies were encouraged to prepare innovation strategies; the NHS Executive has instructed hospital trusts to prepare policies for the protection and exploitation of the intellectual property that those trusts generate; and Local Authorities have also been encouraged to develop policies and strategies for exploiting the intellectual property created by them.
3. The success of many small and medium sized enterprises depends upon successful exploitation of a relatively limited amount of intellectual property. By way of an example, in the case of a university spinout company, this IP may be a sole patent or industrial design. The loss to this organisation of such an asset is likely to have a disproportionate effect upon its business plan.
4. Notwithstanding the importance of IP to small and medium sided businesses, the cost of enforcing an intellectual property right, or resisting an allegation of

infringement of a third party's intellectual property right, when coupled with the management time required to resolve the dispute, causes many businesses to refrain from pursuing an action to judgment. Instead, cases are settled on the best terms possible, often after significant expense has been incurred investigating the claims and obtaining advice on prospects of success.

5. In business planning terms, the entrepreneur does not wish to take unnecessary risks. He may therefore incur extensive legal fees with a view to determining whether his planned activities will bring him into conflict with third party intellectual property rights. However, even having taken the best advice available, an enterprise may still find itself challenged by a third party with a genuine belief that its rights are being infringed. The businessman must then decide whether or not it is in the company's interest to incur the costs, and commit the time, to resolving the dispute via the courts; or whether it should change its business plan, which may have the effect of diminishing the value of the business and causing employees to lose their livelihood.
6. The above situation inevitably favours the larger, established business, with the resources to pursue a claim to judgment. That being said, the cost of litigation is not solely of concern to small businesses. All businesses, no matter what their size, are required to carefully manage expenditure. Larger businesses will, therefore, also refrain from pursuing or defending alleged IP infringements if the costs involved are disproportionate to the benefit the right delivers to the business.
7. When considering the cost of litigation, the "loser pays" principle does little to alleviate the problems identified in paragraphs 4 to 6 above. Solicitors are required to present their clients with information about costs at the start of an action. They must therefore advise their clients that an unsuccessful action will typically result in an award of the other side's costs (thereby doubling the cost risk to the litigant).
8. As a result of the above, small to medium sized businesses often choose not to pursue potentially successful actions. This is unsatisfactory in a number of respects: for example, if the owner of a valid registration chooses not to

enforce its registered right, the value and credibility of that right is diminished (indeed, such a registration is worthless if it becomes known that the right owner will not take steps to enforce it).

9. There is little controversial in the above comments. Judges with experience of intellectual property disputes and IP practitioners, including patent and trade mark agents, have long expressed the view that, typically, the cost of intellectual property litigation is disproportionate.
10. However, the costs referred to above are a largely a direct consequence of the nature of litigation. A judgment of the English High Court, un-appealed or confirmed on appeal, is an absolute determination of the rights subject of the dispute. Consequently, properly advised parties prepare their cases in great detail so that no issue is left unexamined.
11. For many businesses, such a detailed enquiry is not necessary, but rather what is needed is a reliable “quick view” of the validity or infringement of a right. The Patent Office's recent jurisdiction to provide non-binding opinions on issues of validity and infringement in patent cases may go some way to addressing this problem. However, it remains to be seen how effective the above process will be; furthermore, there is currently no equivalent procedure available in relation to disputes concerning other intellectual property rights.
12. In the construction industry, the adjudication process has developed to enable parties to quickly resolve a dispute that has arisen in the course of the performance of a contract.
13. Notwithstanding the above comments, it is clear that, in certain circumstances, conventional judicial determination is likely to remain the most appropriate means of resolving a dispute. A party seeking to prevent counterfeiting or mass importation of manifestly infringing articles almost certainly falls into this category, as may cases of high net value and/or of great commercial importance.
14. However, the fact remains that there are a substantial number of disputes between businesses each of whom, with reasonable grounds, believes it has a

legitimate position in relation to an intellectual property right and where the costs of conventional dispute determination are excessive and disproportionate. This results in legitimate rights not being enforced and doubtful rights remaining unchallenged.

15. A determinative process similar to the adjudication process adopted in the construction industry may have a useful role in such disputes.
16. This paper leaves open the question of whether the above situation merits the introduction of a new procedure for the determination of IP disputes, or whether these issues are best resolved by combining the Court's, already extensive, case management powers with existing methods of dispute determination (a summary of such methods is set out in the Appendix to this paper).

SPECIFIC RESPONSES

- (a) *Are there specific problems with enforcing the main different forms of IP: patents, copyright, trade marks, and designs?*
 - No specific observations in this paper, but the knowledge of the forum or tribunal is important. It is desirable that a tribunal with specialist knowledge deals with specialist work.
- (b) *Are there barriers to challenging infringement and enforcing your IP rights on grounds of cost? What drives these costs?*
 - Costs are a significant barrier to challenging infringement and enforcement of IP rights.
 - Preparation of a case for trial with all issues fully explored and minutely examined creates a significant costs burden.
 - While CPR has reduced the burden of disclosure, evidential costs remain considerable in IP disputes (e.g. a trade mark case where likelihood of confusion must be assessed).

(c) *To what extent does your organisation make use of other methods than litigation to resolve IP infringement cases, for example the Patent Office opinion service, mediation services, Alternative Dispute Resolution, or the Copyright Tribunal?*

(d) *To what extent do you use IP litigation insurance? How effective is it?*

- Small companies are recommended to obtain IP litigation insurance.
- Some insurance companies offer IP protection as part of their professional indemnity policies.
- The costs in IP cases create underwriting problems for insurers.
- Premiums are high and excluded risks can make insurance policies ineffective.
- An insurer may have a different interest in the outcome of the dispute than the policy holder.
- Insurance brokers are generally unfamiliar with intellectual property and, therefore, are not able to give good advice on policies available.
- Insurers do not routinely write IP litigation policies for the pursuit of claims. IP litigation insurance is generally undeveloped.

(e) *Are there barriers to using such methods to settle IP disputes without recourse to litigation? How might they be removed?*

- Typically, IP disputes require authoritative determination of the existence of a right that can be enforced; only then will an alleged infringer refrain from infringing acts.
- Mediation and other forms of Alternative Dispute Resolution provide a valuable alternative to litigation if both sides are willing to participate in the process. In the absence of this consensus, the parties cannot be

required to refrain from litigation (although costs sanctions may be imposed if refusal to mediate is deemed unreasonable).

- Mediation and ADR are not appropriate for cases involving counterfeiting or the flagrant flouting of IP rights.
- An informal forum such as an expanded Copyright Tribunal or intellectual property tribunal run along lines similar to the Industrial Tribunal would enable parties, in suitable cases, to obtain a determination of the existence and infringement of a right that would be binding upon the parties to the dispute but not of precedent value. Either party or the tribunal itself could refer the dispute to conventional litigation if deemed appropriate.

(f) *Are there specific barriers to challenging and enforcement of IP rights for small businesses or individuals?*

- The cost of litigation is a significant barrier for small businesses, causing them either to refrain from enforcing an existing right or withdraw from challenging a potentially invalid right.
- Business planning is rendered uncertain by the cost implications of litigation particularly as the loser pays principle exposes a small business to potentially fatal cost consequences.
- The time taken to prepare a case for judicial determination and the management resource required is also damaging for small businesses and a barrier to challenging and enforcing IP rights.
- The “loser pays” principle is itself a barrier to challenge and enforcement of IP rights.

(g) *To what extent is the risk of litigation a factor in your organisation’s investment in innovation?*

- Solicitors are aware that the majority of their business clients are risk averse and so will take steps to avoid putting their business at risk. The

risk of litigation, driven by larger businesses protecting markets by the assertion of intellectual property rights, will therefore inhibit businesses from innovative competition.

(h) *What are the principal barriers to efficient and successful challenge and enforcement internationally?*

- Language and culture.
- Lack of laws and courts that recognise intellectual property rights.
- Lack of effective enforcement procedures

APPENDIX

Summary of Dispute Resolution and Dispute Determination Methods Presently Available

(i) Negotiated Settlement

This is often the first method by which parties seek to resolve a dispute. Negotiations may continue on a without prejudice basis whilst other methods of dispute resolution proceed.

Advantages:

- if successful, a speedy and cost effective solution may be reached;
- if trade secrets or reputations are involved, privacy can be maintained;
- business relationships can be preserved; and
- an infinite range of solutions are possible (many of which will incorporate matters not legally relevant to the dispute).

Disadvantages:

- the client will probably have to make concessions, thereby achieving a less favourable outcome than that to which he believes he is entitled.

ii. Arbitration

The parties to a dispute agree that a third party, whom they choose, will resolve their dispute. The decision of the arbitrator/s then binds the parties and is enforceable at law in the same way as a court judgment.

Advantages:

- parties can tailor the procedural steps to be taken before the final hearing of the facts;

- the process is potentially much quicker than litigation;
- the parties may choose an appropriate arbitrator (i.e. someone skilled in a particular field or with expert knowledge);
- the parties can ensure privacy in respect of the facts surrounding the dispute; and
- the parties can agree a mutually convenient time and date for the hearing.

Disadvantages:

- arbitration can be expensive (the arbitrator will charge a fee and a venue must be provided) and, in some circumstances, as slow and technically complex as comparable litigation;
- arbitration is likely to be inappropriate where the issue at the heart of the matter is a point of law or where an interim injunction is sought;
- no effective mechanisms exist for joining other parties into arbitration proceedings.

iii. Expert Determination

A person experienced in the field of the dispute decides a defined issue between the parties. The expert considers relevant evidence and imposes a final and binding solution. This can be useful where the essential facts of the matter are not in dispute, but an issue (perhaps a technical or legal one) has arisen between the parties that must be resolved. There is generally no right of appeal from an expert's decision and the only circumstances when a decision can be challenged are when the expert has asked himself the wrong question or decided the wrong issue.

Advantages:

- it allows the appointment of an expert who is familiar with the technical issues;

- it is usually cheaper, quicker and less formal than arbitration or litigation;
- it helps parties to maintain business relationships (it is confidential and less adversarial than litigation or arbitration);
- it dispenses with need for the parties to instruct their own expert witnesses; and
- there is a greater chance of finality (an arbitration award or court ruling is more likely to be challenged).

Disadvantages:

- an expert's remit is entirely dependent on contractual provisions and there are no back-up rules of procedure and process;
- the law on expert determination is not fully settled; and
- there may be difficulties enforcing an experts decision abroad.

iv. Mediation

This involves the appointment of a neutral third party who seeks to help the parties to a dispute reach a negotiated agreement. Characteristically, the mediator is agreed on and appointed by the parties. The mediator's role is to facilitate settlement and has no power to adjudicate or impose a decision.

On 3 April, the UK Patent Office launched a new mediation service to help companies and individuals involved in intellectual property disputes.

A group of staff with IP hearings experience has received mediation training and accreditation at the Centre for Effective Dispute Resolution (CEDR). They will be available to mediate at either the Patent Office's London or Newport offices and can deal with disputes referred from Office hearings or the courts, or simply from parties who have decided to mediate independently. Alternatively, the Patent Office will be offering accommodation at its offices for other mediators to handle IP related disputes to further encourage take-up of this legal option.

The above initiative was aimed at encouraging more use of alternative dispute resolution in IP. It covers the full range of intellectual property rights.

There are a number of variations on the Mediation theme:

Med-Arb

British American Tobacco has used this method effectively to reduce trademark disputes. It involves an agreement between parties to attempt to find a solution through mediation, but the parties also agree, in advance of the mediation, that they will submit outstanding matters to arbitration (where a solution will be imposed by a third party).

Conciliation

Akin to mediation, but here the mediator puts forward recommendations for a settlement based on the commercial realities of the parties' positions and, to an extent, the legal merits of the dispute. The parties try to resolve the dispute through mediation but, if a settlement cannot be reached, agree to move on to the conciliation stage.

Evaluative Mediation

The mediator will probe each party's case, express a view on the strengths and weaknesses and express an opinion as to the likelihood of that party succeeding if the matter proceeds to litigation. This enables the parties to see how a neutral third party views their case and may assist them to reach a negotiated settlement.

Advantages of Mediation

- generally cheaper than litigation and the parties may agree to share the costs of the process;

- can facilitate speedy resolution of a dispute and may be set up at relatively short notice;
- suitable confidentiality protection may be agreed;
- the parties retain control of the dispute;
- may preserve existing commercial relationships;
- there are an infinite number of potential solutions;
- commercially relevant, but legally irrelevant, factors may be considered; and
- there are less likely to be difficulties with enforcement.

Disadvantages of Mediation

- requires the willing participation of both parties;
- inappropriate where an injunction (unless to be provided in proceedings, by consent) or precedent is sought;
- inappropriate where a party wishes to use a strong economic or legal position to its advantage (summary judgment may be more appropriate in respect of the latter)

v. Patent Office Opinions

Section 13 of the Patents Act 2004 provides a new procedure whereby the Patent Office can be requested by anyone to give an official, but non-binding, opinion on the issues of validity or infringement. This gives parties an alternative means of resolving patent disputes without having to file full-blown legal proceedings in the courts or at the Patent Office.

Under the above procedure, anyone is able to ask the Patent Office for an opinion on an issue of validity or infringement. The new procedure is designed to give parties involved in a dispute access to an impartial and affordable assessment of the main issues in contention. It is not a new form of binding proceedings, but is designed to help parties focus on the key issues in a dispute and test the strength of their arguments, without committing themselves to a subsequent course of action.

In view of the relatively recent introduction of the above process, it is impossible to tell, at this stage, how effective it is going to be.

vi. Copyright Tribunal

The Copyright Tribunal consists of a Chairman and two deputy Chairmen who are appointed by the Lord Chancellor after consultation with the Scottish Minister, and not less than two, but no more than eight ordinary members appointed by the Secretary of State for Trade and Industry.

Broadly, the Tribunal's jurisdiction is such that anyone who has unreasonably been refused a licence by a collecting society or considers the terms of an offered licence to be unreasonable may refer the matter to the Tribunal.

Further information about the Copyright Tribunal, its jurisdiction and procedures may be found at

<http://www.patent.gov.uk/copy/tribunal/triabout.htm>

ALTERNATIVE LITIGATION PROCEDURES

Summary Judgment

The court may give summary judgment against either a claimant or a defendant on the whole claim or a particular issue if it considers that:

- the claimant has no real prospect of succeeding on the claim or issue; or
- that the defendant has no real prospect of successfully defending the claim or issue;

and

- there is no other reason why the case or issue should be disposed of at trial.

In response to an application for summary judgment, the Court may: give judgment on the claim or issue; strike out the claim or an issue therein on application by the defendant; dismiss the application; or make a conditional order.

Advantages

- can be a quick and, relatively, cheap method of resolving a dispute; and
- provides finality; and
- is a potential source of injunctive relief.

Disadvantages

- high threshold to be overcome for judgment to be granted; and
- inappropriate where complex issues of fact are involved.

Proceedings for Declaration of Non-Infringement

Without prejudice to any other jurisdiction to make a declaration, the court has power, in proceedings between any person and the proprietor of, or an exclusive licensee under, a patent, to make a declaration that an act does not or a proposed act would not constitute an infringement of the patent, and may do so notwithstanding that no assertion to the contrary has been made by the proprietor or licensee, if it is shown that:

- that person has applied in writing to the proprietor of the patent or licensee for a written acknowledgment to the effect of the declaration claimed, and has furnished him with full particulars in writing of the act in question; and
- the proprietor or licensee has refused or failed to give any such acknowledgment.

Proceedings for Declaration of Non-Essentiality

A new form of declaratory relief in patent actions was sanctioned in the Court of Appeal case of *Nokia v. InterDigital*. The Court ruled, in a dispute relating to patents that the patentee declared were essential for compliance with the GSM (Global System for Mobile Communications) standard, that it was legitimate to seek a declaration that the patents were not essential to that standard.

The Court of Appeal took the view that the above issue was clearly enough defined to be the subject of the Court's inherent jurisdiction.

Pre-Trial Judicial Resolution under the CPR

The Overriding Objective imposes on the Court an obligation to deal with cases justly, which includes, so far as is practicable:

- a. ensuring that the parties are on an equal footing;
- b. saving expense;
- c. dealing with the case in ways which are proportionate
 - to the amount of money involved;
 - to the importance of the case;
 - to the complexity of the issues; and
 - to the financial position of each party;
- d. ensuring that it is dealt with expeditiously and fairly; and
- e. allotting to it an appropriate share of the court's resources, while taking into account the need to allot resources to other cases.

In furtherance of the Overriding Objective, the court is required to actively manage cases. Part 1.4 of the CPR states that active case management includes:

- a. encouraging the parties to co-operate with each other in the conduct of the proceedings;

- b. identifying the issues at an early stage;
- c. deciding promptly which issues need full investigation and trial and accordingly disposing summarily of the others;
- d. deciding the order in which issues are to be resolved;
- e. encouraging the parties to use an alternative dispute resolution procedure if the court considers that appropriate and facilitating the use of such procedure;
- f. helping the parties to settle the whole or part of the case;
- g. fixing timetables or otherwise controlling the progress of the case;
- h. considering whether the likely benefits of taking a particular step justify the cost of taking it;
- i. dealing with as many aspects of the case as it can on the same occasion;
- j. dealing with the case without the parties needing to attend at court;
- k. making use of technology; and
- l. giving directions to ensure that the trial of a case proceeds quickly and efficiently.

Part 3 of the CPR sets out the Court's case management powers. That Part entitles the Court to:

- a. extend or shorten the time for compliance with any rule, practice direction or court order (even if an application for extension is made after the time for compliance has expired);
- b. adjourn or bring forward a hearing;
- c. require a party or a party's legal representative to attend the court;
- d. hold a hearing and receive evidence by telephone or by using any other method of direct oral communication;
- e. direct that part of any proceedings (such as a counterclaim) be dealt with as separate proceedings;
- f. stay the whole or part of any proceedings or judgment either generally or until a specified date or event;
- g. consolidate proceedings;
- h. try two or more claims on the same occasion;
- i. direct a separate trial of any issue;

- j. decide the order in which issues are to be tried;
- k. exclude an issue from consideration;
- l. dismiss or give judgment on a claim after a decision on a preliminary issue;
- m. order any party to file and serve an estimate of costs;
- n. take any other step or make any other order for the purpose of managing the case and furthering the overriding objective.

Furthermore, Part 3.3 of the CPR provides that, except where a rule or some other enactment provides otherwise, the court may exercise its powers on an application or of its own initiative.

Finally, it should be noted that under Part 40.20 of the CPR the Court has the power to make binding declarations whether or not any other remedy is claimed.

SCHEDULE C

Registered Designs

REGISTERED RIGHTS		
	UK	EU
Basic nature of right	Requires absolute novelty and 'individual character'. Confers monopoly right (i.e. no need to prove copying if similar design is adopted)	As for UK.
Covers	The appearance of the whole or a part of a product resulting from the features of, in particular, the: lines contours colours shape texture materials of the product or its ornamentation.	As for UK.

Not Covered	Designs which are: <ul style="list-style-type: none"> • solely dictated by the product's technical function, or • “must fit” • parts not visible in “normal use” • contrary to law or morality. • protected emblems – e.g. the Olympic symbols, Royal arms and national flags. 	As for UK. Slightly different provisions regarding “protected emblems” (“badges, emblems and escutcheons which are of particular public interest in a Member State”)
Novelty and individual character	A design is only new if: no new design has been made available to the public before the application date / priority date. Individual character: “if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public” before the application date / priority date. In assessing individual character, the degree of freedom of the designer in developing the design shall be taken into consideration.	As for UK

<p>Prior Disclosure</p>	<p>A design has been made available to the public before the relevant date if published before that date <u>unless</u>:</p> <ul style="list-style-type: none"> • it could not reasonably have become known before relevant date in the normal course of business to persons carrying on business in the EEA and specialising in the sector concerned; or • it was made to a person (other than the designer or any successor in title), under conditions of confidentiality; or • it was made by the designer (or any successor in title), <u>during the period of 12 months immediately preceding the relevant date</u>; or • it was made by a person other than the designer <u>during the period of 12 months</u> immediately preceding the relevant date in consequence of information provided or other action taken by the designer or any successor in title of his; or • it was made <u>during the period of 12 months</u> immediately preceding the relevant date as a consequence of an abuse in relation to the designer or any successor in title of his 	<p>A design has been made available to the public before the relevant date if published before that date <u>unless</u>:</p> <ul style="list-style-type: none"> • the publication could not reasonably have become known in the normal course of business to the circles specialised in the sector concerned, operating within the Community; or • the design was disclosed to a third person under explicit or implicit conditions of confidentiality. • the design has been made available to the public; or • the design was disclosed by the designer (or his successor in title etc.) during the <u>12-month period</u> preceding the date of filing of the application / priority date; or • or if the design has been made available to the public as a consequence of an abuse in relation to the designer or his successor in title.
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Examination	<u>Substantive examination</u> by UK Registry.	No substantive examination.
Duration	Maximum 25 years from date of application to register.	As for UK
Countries Covered	A UK design right covers the United Kingdom. Certain countries and territories are permitted enforcement or re-registration of design registrations obtained in the United Kingdom.	EU
Cost	<p>Application to register design (lace, or textile if consisting substantially of checks or strips). £35.00</p> <p>Application to register design. £60.00</p>	<p>Registration fee. 230 €</p> <p>Publication fee. 120 €</p>
Cost to renew Right (every 5 years)	<p>Renewal (first) £ 130</p> <p>Renewal (second) £ 210</p> <p>Renewal (third) £ 310</p> <p>Renewal (fourth) £ 450</p>	<p>Renewal (first) €90</p> <p>Renewal (second) €120</p> <p>Renewal (third) €150</p> <p>Renewal (fourth) €180</p>

What do infringement rights extend to?	Registration gives exclusive right (<u>copying not needed</u>) to the design and any design that does not give the informed user a <u>different overall impression</u> .	As for UK
Grace Period	12 Months	As for UK.

SCHEDULE D

Unregistered Designs

UNREGISTERED DESIGNS		
	UK	EU
Basic nature of right	<p>No formalities for subsistence.</p> <p>Requires design to be “original” – not “commonplace in the design field in question”.</p> <p>Copying is an essential ingredient for infringement</p>	<p>No formalities for subsistence.</p> <p>Requires absolute novelty and ‘individual character’.</p> <p>Copying is an essential ingredient for infringement</p>
Covers	<p>Any aspect of the shape or configuration (whether internal or external) of the whole or part of an article.</p>	<p>The appearance of the whole or a part of a product resulting from the features of, in particular, the:</p> <ul style="list-style-type: none">linescontourscoloursshapetexturematerials <p>of the product or its ornamentation.</p> <p>INCLUDES surface decoration.</p>

Not covered	Methods of construction. Must fit Must match <u>Surface decoration.</u>	Features solely dictated by function Features required to allow connection Repair of complex products
Duration	15 years from the end of the calendar year in which the design was first recorded in a design documents or a product was made to the design (first to occur); or if articles made to the design are made available for sale or hire within five years of the end of the calendar year referred to above – 10 years from the end of the calendar year in which the offer for sale/hire first occurred.	3 years from publication of the design within the EU.
Obtainable by	Restricted to UK, Channel Islands, EU and certain other (e.g. New Zealand) individuals and companies.	Any person or company.
Countries Covered	United Kingdom together with the Isle of Man.	EU
Cost	£0	£0
What do infringement rights extend to?	Infringement requires <u>copying</u> - making articles to the design, or making a design document recording the design for the purpose of enabling such articles to be made. Reproduction of a design by making articles to the design means <u>copying the design</u> so as to produce articles exactly or substantially to that design.	An unregistered Community design gives the owner the right to use the design and any design that does not give the informed user a <u>different overall impression</u> . Copying needed for infringement.

Licences of Right	Available during last 5 years of the life of the UK unregistered design right. Terms of licence agreed or determined by the Patent Office.	Not available.
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SCHEDULE E

THREATS

LAW SOCIETY OF ENGLAND AND WALES

RECOMMENDATION OF INTELLECTUAL PROPERTY WORKING GROUP: THREATS ACTIONS

Executive Summary

This paper recommends abolition of the statutory provisions for threats actions in the areas of trademarks and designs.

- There remain considerable disparities with the law in relation to ‘threats’ across the field of intellectual property rights but with no obvious rationale
- Recent changes in the field of patents have not confronted the difficulties and inherent conflicts with the existence of threats provisions in the area of trademarks and designs
- With no threats actions applicable to threats of infringement for copyright, passing-off and various other IP rights, the existence in relation to trademarks and designs leads to letters before action being despatched referring only to certain IP rights even if, on issue, different rights are then to be asserted.
- The UK position is at odds with Europe. Rights owners may therefore elect to threaten overseas and then issue here – or simply seek to pursue their proceedings in other European countries even if there is infringement in the UK.
- The distinction between primary infringers and secondary infringers is, in practice, hard to draw.
- There is a direct and irreconcilable conflict between the requirement to avoid threats actions and the provisions of the Civil Procedure Rules: the overriding objective of the Rules is to prevent litigation by encouraging open and detailed pre-action correspondence – but the very nature of threats action prohibits such course.
- Informed legal advisors will be wary of writing letters setting out their client’s intellectual property rights for fear of being the subject of a threats action themselves.
- Clients may be puzzled or frustrated by a reluctance – or refusal – by their legal advisers to assert properly rights which have been evidently infringed.

- The existence of threats provisions inevitably encourages a sue-first, talk-later strategy.
- There is little evidence of any support for the need for threats provisions. And there are very few reported cases of damages being awarded following a successful threats action.

The paper refers to support for reform to the law from judges and leading commentators, and recommends abolition of the threats provisions in respect of trade marks and designs.

**Intellectual Property Working Party
Law Society of England and Wales**

3 March 2006

LAW SOCIETY OF ENGLAND AND WALES

RECOMMENDATION OF INTELLECTUAL PROPERTY WORKING GROUP: THREATS ACTIONS

Introduction

A client understands that a letter from a solicitor threatening the issue of proceedings is the normal first step in almost every form of civil litigation. But, in the area of intellectual property, the issue of a letter before action could have unexpected and hazardous consequences, both for the client and the solicitor.

The possibility of an action for ‘groundless threats’ was first introduced by the Patents, Trademarks and Designs Act 1883. This was an attempt to rein in occasional abuse by patent owners, encouraging them only to threaten proceedings if they could justify them.

The legislation was aimed principally at the protection of the distribution chain by providing a cause of action where suppliers and retailers (secondary infringers) were threatened; often they were forced to withdraw product simply because they were unable to assess whether the relevant goods were in fact infringing. There were cases of such threats being used to damage the business of a patent-holder’s competitors.

Today we have an illogical and inconsistent assortment of threats actions relating to various IP rights; they run counter to the over-arching encouragement to communicate and settle rather than precipitately issue legal proceeding and they leave clients and solicitors in jeopardy of being sued for making actionable threats, simply by reason of the sending of what would otherwise be an uncontroversial letter before action.

This Paper highlights disparities in the current law of threats actions, both within English law and also between England and Europe; and it recommends change.

Threats Actions

A statutory provision for threats actions was first introduced following disquiet after the case of *Halsey v Brotherhood*². There, a manufacturer of steam engines (and a patent-holder) systematically threatened customers of another manufacturer with assertions of his patent with a view to their ceasing to carry out such trade.

² 15 ChD 514

Refusing to restrain the patent-holder, the Lord Chief Justice Lord Coleridge said:

“... it appears to me that a statement made under such circumstances does not give a ground of action merely because it is untrue and injurious to the Plaintiff, there must be also the element of mala fides and a distinct intention to injure the Plaintiff apart from the honest defence of the Defendant's own property.unless there is mala fides, it is one of those instances in which the law, in the interests of society, permits an injury to be done without any remedy commensurate with it.”

The 1883 Act introduced such remedy.

There are provisions related to threats actions in some – but not all – intellectual property (‘IP’) areas. Details are set out in the Appendix. But in summary: :-

UK Registered Trade marks³ and Community Trade Marks⁴

For both such categories of marks:

- A person aggrieved by threats of proceedings for infringement may bring an action against any person who makes the threats; and
- If he demonstrates that he is a person aggrieved, and that the threats which were made were not in an excluded category, then he will succeed in his action.

It will not be an actionable threat merely to notify that the trade mark is registered or notify that an application for a trade mark has been made⁵. No guidance as to what constitutes mere notification is given in the relevant statute or regulations.

Threats made in relation to primary infringement are not actionable. Threats are also not actionable in relation to the application of the mark to goods/packaging and/or importing goods with the mark and or supplying services under the mark.

However, if a primary infringer is also threatened with an allegation of secondary infringement, then the threat is actionable.

A further issue is that a letter fairly sent to a person who is believed to be a primary infringer could lead to a threats action if, in fact, they were (unknown to the right holder) merely a secondary infringer.

³ s.21 Trade Marks Act 1994

⁴ Regulation 2 of the CTM Regulations

⁵ s.21(4) Trade Marks Act 1994

The main defence to an action of groundless threats of trade mark infringement is justification: the person facing the threats action must show that the alleged acts were, or would have been, infringing.

Even if the rights owner proves that the acts are infringing and therefore has a defence to the threats action, the infringer may still seek to show that the mark is invalidly registered or is liable to be revoked. If he does so he will also succeed on the original threats action.

UK Registered Design Rights and Community Registered Design Right

As trade mark legislation (2.1) above, except that:

- The form of the threat to be actionable must have been made in the form of a circular, advertisement or otherwise;
- **Primary infringers are defined as those people making and/or importing the registered design⁶.**

Unregistered Designs (design right) and Community Unregistered Design Right

As trade marks (2.1 above), except that:

- Primary infringers are defined as those people making and/or importing the unregistered design.
- It is not an actionable threat merely to notify another that a design is protected by design right.
- If a defence of justification is made out then that is the end of the threats action: there is no comeback if later it is shown that the unregistered design is invalid or the right did not subsist.⁷

Patents

Originally, the Patents Act 1977 followed a similar line to trade mark and design legislation: threats could only be actionable in relation to improper commercial dealings in respect of a patent (secondary infringement).

s 70 Patents Act 1977 was amended in 2005 with (inter alia) a new s.70(4) and 70(6) which enables a threats action to be brought in the following situations:

- where a primary infringer is identified, a threat may be made, without jeopardy of a threats action, in respect of both primary and secondary infringements; or
- in respect of secondary infringers where “best endeavours” have

⁶ s.26 Registered Designs Act 1949;

⁷ s.253 Copyright, Designs and Patents Act 1988 and The Community Design Regulations 2005, SI 2005/2339

been used to discover the primary infringer.

An amended s.70(2) declares that, if a patent is invalidly registered, a threats action may nevertheless succeed.

Therefore, if at the time of making the threats, the person making the threats did not know and had no reason to suspect that their patent was invalid in a respect relevant to the infringement, then the person aggrieved will not be entitled to relief even if he shows the patent to be invalid in a relevant respect.

The amended provisions have also expanded the range of acts that cannot constitute an actionable threat:

s.70(5) as amended introduces greater leeway for solicitors taking steps short of litigation by providing that a party or their advisor does not threaten another person with proceedings for infringement of a patent if they merely:

- provide factual information about the patent;
- make enquiries of another for the sole purpose of discovering whether, or by whom, the patent has been infringed; or
- makes an assertion about the patent for the purposes of any enquiries so made

These amendments therefore widen the possible defences available to a party or his/her solicitor – but do not exempt them.

Copyright

There are no specific legislative provisions for actions in respect of groundless threats of copyright infringement.

However, grievances caused by such allegations have been pursued in other ways such as by way of the tort of unlawful interference with business or malicious falsehood.

In *Creative Resins v Glasslam Europe (2005)*⁸ for instance, defamation was used to found an action against Glasslam and its solicitors who had written a letter before action. The letter sent to Creative and its customers alleged copyright infringement, that Glasslam was a serial infringer and that the infringing product complained of was defective.

The court was doubtful that the solicitors had made sufficient enquiries of their client to send such a letter with an honest belief in its allegations. Accordingly, the application by the defendant to strike out the defamation claim was refused.

Passing Off

⁸ [2005] EWHC 777 (QB)

No specific legislative provisions.

Moral Rights

No specific legislative provisions.

Rights in Performances

No specific legislative provisions.

Publication Right

No specific legislative provisions.

Plant Breeders' rights

No specific legislative provisions.

Database right

No specific legislative provisions.

Right to protection in respect of unauthorised decoders

No specific legislative provisions.

Rights to confidential information

No specific legislative provisions.

Jeopardy of Solicitors

Any person who makes a threat may become subject of an action for groundless threats where such action lies. Both the rights owners and its advisors may be sued if they make actionable threats; lawyers, patent and trade mark attorneys are therefore often unwilling to write in advance of issuing proceedings.

Copinger⁹ comments on this jeopardy that: “the borderline between a threat of proceedings and mere notification of the existence of design right is often very fine”.

Kerly's Law of Trade Marks and Trade Names acknowledges the defence under s.21(4) Trade Marks Act 1994, but states: *“However persons seeking to take advantage of that provision should be very careful not to go even a fraction further than what is permitted, lest a threat be inferred”¹⁰.*

⁹ 'Copinger and Skone James on Copyright': 15th Edition (2005); Sweet & Maxwell

¹⁰ Fourteenth Edition at 18-122

The legal advisor can therefore be placed in a situation which can ruin a client relationship. Clients find it difficult to understand why their advisor is unwilling to write a letter before action appearing to prefer a “sue first, negotiate later” strategy.

Further, by reason of the existence of the threats regime, letters before action are often drafted in order to fashion a claim in passing off even though trade mark infringement would be the more appropriate claim to be asserted. This invariably increases costs and requires explanation to the client. And the subsequent launch of proceedings, if needed, principally on a trade mark claim rather than the previously asserted passing off claim appears also to smack of duplicity in the honest assertion of the rights by the solicitor.

Pre-action Correspondence and the Civil Procedure Rules

The Woolf Reforms introduced the obligation on a claimant to set out its case in full in correspondence before beginning proceedings,. This has been reinforced by the introduction of pre-action protocols.

Under the Civil Procedure Rules, the court will expect all parties to have complied in substance with the terms of an approved protocol with potential penalties of indemnity costs being awarded against the party at fault and/or an interest penalty.

Although there are specific pre-action protocols for eight classes of dispute (including defamation) there is not one specific to intellectual property¹¹. The parties are therefore to comply with the requirements relating to pre-action behaviour in other cases.

In particular, the claimant's letter before action should, inter alia –

- (a) give sufficient concise details to enable the recipient to understand and investigate the claim without extensive further information;
- (b) enclose copies of the essential documents which the claimant relies on;
- (c) ask for a prompt acknowledgement of the letter, followed by a full written response within a reasonable stated period; and
- (d) state whether court proceedings will be issued if the full response is not received within the stated period;

There is also a risk in costs if the protocol is not adhered to: the following, recommended by Lord Dyson and the Master of the Roll, is expected to be included as part of the 41st update to the Civil Procedure Rules to be published in April 2006:

“The Courts increasingly take the view that litigation should be a last resort, and that claims should not be issued prematurely when a settlement is still actively being explored. Parties are warned that if the protocol is not followed (including this paragraph) then the Court may have regard to such conduct

¹¹ A ‘Code of Practice for Pre-Action Conduct in Intellectual Property Disputes’ prepared by a Law Society committee was published in January 2004 but has never been adopted.

when determining costs.”

It is not possible that the current threats provisions can properly be reconciled with this wording and that of the Civil Procedure Rules referred to – particularly in the light of the default position (the only safe option) contemplated by for instance Section 21(4) Trade Marks Act 1994¹².

Lord Sainsbury of Turville acknowledged this conflict in the debate on the Patents Bill that:

*“Genuine attempts at pre-litigation settlement of a patent infringement may have been hampered in the past by the existing provisions on threats in section 70 of the 1977 Act”*¹³

If that is the case in the past relating to patents, it is still the case now in relation to trade marks and designs.

Previous debate on the issues

There has been little active debate about threats generally. However, both the jeopardy of solicitors in threats actions and the inconsistency of threats actions with the Woolf Reforms were discussed – at least in relation to patents - in the consultations and debates related to the Patents Bill . This became the Patents Act 2004.

The Government carried out a consultation with the Patent Office with regard to whether threats actions were still needed, the distinguishing of primary and secondary infringement, and the apparent injustice of a patent owner's patent being revoked as a result of threats actions.

- Abolition of Threats Actions Generally

This was not a matter mooted in either House, or at committee stage, during the progress of the Patents Bill.

- Legal Advisors being sued

It was proposed that patent agents and legal representatives should be exempted from threats actions launched against them when they act on behalf of others. S132 of the Australian Patents Act 1990, for instance, was cited as an example. The Patent Office however declined to support this proposition saying:

“We regret that suing the legal advisor is a tactic used simply to make life difficult for the opposing side. However, making an unjustified threat is a tortious act and we have serious reservations about undermining the general principle that makes the principal and agent joint tortfeasors when that tortious act is committed by the agent on behalf of the principal (in this case, the client). We have therefore concluded that it would be wrong to have a

¹² *“The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purposes of this section.”*

¹³ House of Lords Hansard 26 January 2004 Col. 44.

statutory exemption from threats for a specific class of persons, particularly when it is considered that there is no such exemption for legal advisers in analogous situations such as, for example, libel.”

The Government therefore decided not to adopt the proposal. However, in the Official Report of the Grand Committee, Lord Razzall described the Patent Office’s reasoning as “*a little specious*” arguing that the structure of the patent industry is very different from libel litigation.

- Inconsistency of Threats Actions with Woolf Reforms

The Patent Office asked in their consultation document whether threats provisions needed improving generally in order to facilitate genuine attempts to settle infringement disputes prior to taking up litigation in the spirit of the Woolf Reforms. The answer was yes by all but one of the respondents, including representatives from industry, IP lawyers, patent professionals and the judiciary.

This disparity was also highlighted in the readings of the Bill in Parliament, but not confronted or dispatched by the final legislation.

The impact of the inflexible threats position has been to some extent ameliorated by the Patents Act 2004 – but only in relation to patents. Regrettably, however, there appeared to be no recognition that the disparities and inconsistencies of the law of threats actions in relation to patents might apply equally to that of the other Intellectual Property disputes.

The distinction with patents

An important, if not critical, factor in relation to the position of a person receiving a threat of infringement of an intellectual property right is their ability, reasonably and quickly, to judge whether an infringement has or is likely to have occurred.

For patents, this can be an almost impossible task: a published patent is typically written in scientific language with a range of claims drawn very widely; the pages of a patent claim may well be incomprehensible to a layman. Threatened with possible proceedings and armed only with a copy of the patent, a retailer will not be able to judge, within a short time-span, whether the items they have on their shelves infringes the patent right asserted. This was the issue which caused such disquiet in *Halsey v Brotherhood*¹⁴ which precipitated the introduction of the first threats provisions.

Further, although patents are granted following an advertisement and examination process, most patent suits are fought on the basis of validity. Accordingly no-one can reliably say, on receiving a copy of a patent, whether it is indeed valid and/or whether any of the claims can, or should be, struck out.

The position, we say, is wholly different with other classes of IP rights. In relation to those other categories of registered IP right where threats actions are available –

¹⁴ See footnote 1 supra.

trade marks and registered designs – it can be readily apparent whether the article is, or may well be, infringing.

A counterfeit item, or its packaging, will obviously bear the relevant trade mark and the recipient of a letter alleging trade mark infringement together with a copy of the certificate or other reference to its registration can readily see if his or her item bears the same or substantially similar mark. Equally, a person receiving a copy of a registered design certificate can reasonably take a view as to whether the items in their possession appear to infringe.

It will be acknowledged, of course, there are sometimes fine issues regarding whether there is trademark usage which can cause complications as to whether indeed there is trade mark infringement.

Even with unregistered design rights, the claimant will typically forward a copy of a design document or photograph so allowing the recipient easy access to compare the relevant products.

So, we see that much of the imperative for a threats provision in relation to patents (if there is one) – namely to reduce an unfair onus on the recipient to consider and interpret complex claims - does not exist in the same way to trade marks or designs. It is somewhat ironic that the threats provisions have been relaxed in the area of patents but not in respect of other intellectual property issues.

Threats Actions in Foreign Jurisdictions

By way of comparison, much of Europe does not appear to have any need for any specific law for groundless threats to regulate any opprobrious conduct under its civil code and/or laws on unfair competition.

Certain countries do provide for threats actions: Australia, New Zealand, Ireland and Hong Kong for instance. Australia has a threats action for copyright, though the Australian Copyright Act excludes lawyers from liability for anything done in their professional capacity for clients.

Although there are no threats provisions equivalent to Section 21 Trade Marks Act 1994 in the federal laws of the USA, its Patent and Trade Mark Office nevertheless requires certain standards of trade mark practitioners including:

§10.85 Representing a client within the bounds of the law¹⁵

(a) In representation of a client, a practitioner shall not:

(1) Initiate or defend any proceeding before the Office, assert a position, conduct a defense, delay a trial or proceeding before the Office, or take other action on behalf of the practitioner's client when the practitioner knows or when it is obvious that such action would serve merely to harass or maliciously injure another.

(2) Knowingly advance a claim or defense that is unwarranted under existing law, except that a practitioner may advance such claim or

¹⁵ 37 CFR. Part 2-rules of practice in trade mark cases

defense if it can be supported by good faith argument for an extension, modification, or reversal of existing law.

Accordingly, US law does impose some restraints on uncontrolled allegations of infringement delivered by practitioners - but without the need for controls by way of threats actions.

It should be noted however that a number of other countries do have clearly-defined unfair competition laws which may, in some circumstances, be effective where unfounded threats are issued.

The United Kingdom is out of step with Europe

There are a number of reasons why the UK position is not consistent or tenable with the desire to have a harmonised playing field in relation to intellectual property enforcement:

It is apposite to note that, in none of the relevant EC or EU Directives or Regulations, is there declared any facility for threats actions. None of the relevant legislation:

Design Right:

- Directive 98/71 of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs

Community designs:

- Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs¹⁶

Trade Marks:

- Council Directive 89/104 of December 21 1988

Community trade mark

- Council Regulation 40/94 of December 20 1993 on the Community trade mark¹⁷
- Council Regulation 3288/94 of December 22 1994
- Council Regulation 2868/95 of December 13 1995

nor other international materials including:

- **Protocol relating to the Madrid Agreement** Concerning the international Registration of Marks (June 27,1989);

¹⁶ Article 26.2 refers to the retroactive effect of invalidity of the Community Design as being subject to "the national provisions relating either to claims for compensation for damage caused by negligence or lack of good faith on the part of the holder of the Community Design or to unjust enrichment"

¹⁷ Article 54 also has an equivalent provision to Article 26 referred to in note 16 above

- **Paris Convention** for the Protection of Industrial Property (as revised); nor the

- **TRIPS**: Agreement on Trade-Related Aspects of Intellectual Property Rights

refers directly to threats actions.

This is a significant omission. If threats actions have value or importance why are they not declared as such or at least noted? Threats actions are a powerful remedy dissuasive of the right holder seeking to exercise his or her rights without the issue of court proceedings: one would expect therefore that such a remedy be confronted and circumscribed in the harmonisation proposals of the European Commission if they were to be part of the IP landscape.

If such a remedy is indeed useful or relevant then one would have expected it to have been adopted more widely across the EU.

The United Kingdom is therefore at odds with the European Commission and indeed all other EU member states (apart from the Republic of Ireland) in maintaining threats provisions.

It is arguable that the restraints on rights owners, encumbered by the jeopardy of threats actions, do not satisfy the three-step test for permitted exceptions (or its equivalents) in Article 13, 17 and 30 TRIPs:

“Members may provide limited exceptions to the rights conferred by a trade mark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trade mark and of third parties.” (Article 17)

And Article 42 TRIPS for instance also requires that:

“Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims.”

The existence of threats actions is, effectively an impediment on the rights available to rights holders. If rights holders are unnecessarily limited in seeking to obtain redress without court proceedings – or forced to litigate but with the likelihood of an adverse costs order – then this must in truth reduce their rights.

It is further arguable that the additional jeopardy on rights owners in asserting their rights in the United Kingdom creates a distortion in the single market:

in the case of international trade, rights owners may, by reason of the existence of a threats regime in the UK, elect to threaten – and therefore litigate – in countries outside the United Kingdom; or threaten elsewhere and then, precipitately, issue proceedings for instance in England.

Rights owners may conclude that their rights are less hampered and therefore more available in countries where threats actions are not possible. This inevitably distorts the power of the rights granted to them.

Commitments to a level playing field for enforcement appear also qualified if the anomaly of threats provisions in the United Kingdom continue to stand. The recitals to the EU Proposal for a Council Directive on the Enforcement of Intellectual Property Rights include:

“Despite the implementation of the TRIPS Agreement, the legal situation in the Community shows major disparities which do not allow the holders of intellectual property rights to benefit from an equivalent level of protection throughout the Community.”

and

“Account must be taken of the legal traditions and situation of each Member State. The question is to ensure that intellectual property rights are enforced in an equivalent fashion throughout the Community but within the existing national frameworks. That is why harmonisation of the national legislation of the Member States at Community level regarding the means of enforcing intellectual property rights appears necessary in order to achieve the desired objective. To be genuinely effective, harmonization must be sought on the basis of the national provisions which seem the most suited to satisfy the needs of parties infringed against whilst taking into account the legitimate rights of defence. This will make it possible to enforce intellectual property rights in a homogeneous and effective fashion throughout the Community, to introduce greater transparency into the systems of penalties, and to ensure the effective application of the means made available to right holders.”

We question whether the current anomaly of threats provisions in the UK offers enforcement in “a homogeneous and effective fashion throughout the Community” nor that it gives “the effective application of the means made available to right holders”.

The recitals to the Enforcement Directive, as finally issued, also acknowledge that:

“The disparities between the systems of the Member States as regards the means of enforcing intellectual property rights are prejudicial to the proper functioning of the Internal Market and make it impossible to ensure that intellectual property rights enjoy an equivalent level of protection throughout the Community. This situation does not promote free movement within the internal market or create an environment conducive to healthy competition.”

Article 3 of the Directive declares the general obligation on Member States:

General obligation

1. *Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.*

2. *Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse. These measures and procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade.*

We cannot see that the existence of the various United Kingdom threats provisions, anomalous as they are in Europe, support ‘*fair and equitable*’ procedures nor seek to reduce or eradicate unwarranted delays or unnecessarily complicated or costly measures and procedures.

Problems with the current law of threats actions

The current law of threats actions is both illogical and inconsistent with today’s legal climate for a number of reasons.

- As outlined at section 4 above, it is inconsistent with the Civil Procedure Rules which declare:

“Litigants are expected to act reasonably in exchanging information and documents relevant to a claim and generally in trying to avoid the necessity for proceedings”¹⁸

¹⁸ paragraph 4.1, CPR Practice Direction, Protocols

But the potential jeopardy of threats actions make it nearly impossible to follow this rule.

- It is inconsistent between IP rights.

The new patent law draws an illogical dividing line between patent threats action and those in respect of trade marks and designs. Whereas patent litigators now have clearer guidelines to work to a negotiation without fear of being subject to an unjustified threats action, trade mark and design right litigators are still confined to sending out a letter of mere “notification” to secondary infringers.

Here the only safe approach is (at most) to write a notification which includes a statement that the recipient is being notified of the existence of the trade mark or registered design and the registered design number (or the statement that the design is protected by a design right in the case of unregistered design) without any further comment.

- The distinction between primary and secondary infringers is an illogical one to draw in threats actions. There is no certain distinction between the two. An attempt to remove this disparity has been attempted in patents but the issue remains very much at large in the case of trade marks and designs.
- It seems unlikely that a person intimidated by groundless threats would nevertheless have the resolve to launch a claim in the High Court on the basis of the threats provisions;
- It is illogical that there are no equivalent threats actions in respect of copyright, passing off and performer’s rights. In many cases, there will be overlap between copyright and designs, or between trade mark and passing-off.

A design right owner may threaten an infringer in relation to a breach of copyright (for instance in relation to the surface design of an infringing article) but not in respect to an infringement of the design right (its appearance).

Putative claimants need to assert all their claims on which they would wish to rely. How can this be done where there is the barrier of a threats action. A legal advisor or rights owner has to exercise caution for instance in making allegations of copyright infringement not to mention any registered trade marks or design rights, so as to become party to a threats action.

- There are in any case alternative remedies available to an aggrieved recipient of a threat:
 - an application for a declaration of non-infringement; and/or
 - a claim for malicious falsehood or trade libel.

Support for a reform to the law of threats actions

During the course of the Patents bill, the Patent Office - and indeed the majority of

the respondents to their consultation - recognised the problems in the area of unjustified threats in patent disputes.

Patent Judges Jacob, Laddie and Pumfrey JJ responded to the Patent Office Consultation Paper with the statement *“Any threat against a primary infringer (manufacturer or importer) for all acts he does should be permitted. Moreover the position should be the same for all types of threats actions (trade marks, designs etc.)”*.¹⁹

We say however, that, a fortiori, threats provisions should be moderated, if not abandoned, in other areas. This is a view widely held by the major commentators in this area²⁰.

In *Reckitt Benckiser UK v Home Pairfum (2004)*, Mr Justice Laddie declared an application to join solicitors in a threats action to be an attempt to interfere with the lawyer/client relationship which he described as an *“illegitimate purpose of the counter claim”*.

He further stated that the only legitimate purpose for bringing a threats action against the solicitors would be if the claimant had already succeeded in a threats action against the rights owner and it had failed to meet any order for damages.

Laddie, Prescott and Vitoria in *“The Modern Law of Copyright and Designs”*²¹ states bluntly

“that the incorporation of a threats provision into design right law is ill conceived.”

*“Design rights (and the same argument would apply even more so to trade marks) lack the complexity of patent infringement. A person harmed by threats of litigation always has the right to sue at common law for slander of title if the allegations are made maliciously and without just cause.”*²²

“We doubt that the statutory threats provisions serve any useful purpose, whether in relation to patents, registered designs, or any other type of intellectual property law. It may well cause more harm than good”.

And this textbook further states:

“The reader may have come to the conclusion that there is little merit in the retention of the threats provisions. If so, we agree. Particularly in the current climate where attempts are being made to make parties accept litigation as the avenue of last, not first, resort, the right to bring threats proceedings is an unfortunate and harmful anachronism. Notwithstanding the decisions in Unilever plc v Procter &

¹⁹ <http://www.patent.gov.uk/about/consultations/responses/patact/responses/organisations/pj.htm>

²⁰ See also: ‘You and whose army? Problems with Threats provisions and the Patents Act 2004’ Salmon and Minogue [2005] EIPR 8 294; ‘A Threat Ahead’ Murdie SJ 28.01.05; Lord Justice Jacob has also referred publicly to the threats provisions as *‘a perfectly stupid system’* (SCL lecture: 12 January 2006).

²¹ Butterworths Third Edition Laddie, Prescott, Vitoria, Speck and Lane

²² At p. 1840

Gamble Co, the existence of this statutory tort must cast a shadow over any attempt by a rights owner to negotiate with a possible infringer. Inviting such a competitor to enter into without prejudice negotiations clearly carries a message that proceedings are being contemplated and is actionable unless the law on privilege is extended so that the invitation itself is to be treated as without prejudice. This is a problem which did not arise in Unilever because the threats there were made in the course, and after the commencement, of without prejudice discussion which covered other issues. The threats therefore were made in circumstances where the without prejudice umbrella was already in place.

Since there is no reported case where a claimant in threats action has managed to recover damages, this tort remains little more than an invitation to pre-emptive litigation. It could be said that the abolition of threats leaves in place the general jurisdiction to grant declarations so that pre-emptive litigation would remain a possibility. That is true, but the difference between the threats legislation and the court's power to make declarations is that the former, since it creates a statutory tort, cannot be ignored by the courts or tailored to be consistent with current public policy in suppressing unnecessary litigation. By contrast it would be an easy matter for courts to make it clear as a matter of practice that they will not entertain applications for declarations in circumstances where, for instance, the rights holder is inviting the potential infringer to enter into bona fide settlement discussions."

We concur with the sentiments expressed above.

Recommendation

For the above reasons, we recommend that the existing threats provisions in relation to trade marks and designs (both registered and unregistered) be abolished.

Date: 3 March 2006

for: Law Society of England and Wales.

Appendix

Legislation Extracts

Trade Marks Act 1994

21 Remedy for groundless threats of infringement proceedings

(1) Where a person threatens another with proceedings for infringement of a registered trade mark other than—

- (a) the application of the mark to goods or their packaging,
- (b) the importation of goods to which, or to the packaging of which, the mark has been applied, or
- (c) the supply of services under the mark, any person aggrieved may bring proceedings for relief under this section.

(2) The relief which may be applied for is any of the following—

- (a) a declaration that the threats are unjustifiable,
- (b) an injunction against the continuance of the threats,
- (c) damages in respect of any loss he has sustained by the threats;

and the plaintiff is entitled to such relief unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned.

(3) If that is shown by the defendant, the plaintiff is nevertheless entitled to relief if he shows that the registration of the trade mark is invalid or liable to be revoked in a relevant respect.

(4) The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purposes of this section.

Groundless threats of infringement proceedings

4 The provisions of section 21 apply in relation to a Community trade mark as in relation to a registered trade mark.

Registered Designs Act 1949

Remedy for groundless threats of infringement proceedings

26. (1) Where any person (whether entitled to or interested in a registered design or an application for registration of a design or not) by circulars, advertisements or otherwise threatens any other person with proceedings for infringement of the right in a registered design, any person aggrieved thereby may bring an action against him for any such relief as is mentioned in the next following subsection.

(2) Unless in any action brought by virtue of this section the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute, an infringement of the right in a registered design the registration of which is not shown by the plaintiff to be invalid, the plaintiff shall be entitled to the following relief, that is to say—

- (a) a declaration to the effect that the threats are unjustifiable;
- (b) an injunction against the continuance of the threats; and
- (c) such damages, if any, as he has sustained thereby.

(2A) Proceedings may not be brought under this section in respect of a threat to bring

proceedings for an infringement alleged to consist of the making or importing of anything.

- (3) For the avoidance of doubt it is hereby declared that a mere notification that a design is registered does not constitute a threat of proceedings within the meaning of this section.

Copyright Designs and Patents Act 1988

253. (1) Where a person threatens another person with proceedings for infringement of design right, a person aggrieved by the threats may bring an action against him claiming
- (a) a declaration to the effect that the threats are unjustifiable;
 - (b) an injunction against the continuance of the threats;
 - (c) damages in respect of any loss which he has sustained by the threats.
- (2) If the plaintiff proves that the threats were made and that he is a person aggrieved by them, he is entitled to the relief claimed unless the defendant shows that the acts in respect of which proceedings were threatened did constitute, or if done would have constituted, an infringement of the design right concerned.
- (3) Proceedings may not be brought under this section in respect of a threat to bring proceedings for an infringement alleged to consist of making or importing anything.
- (4) Mere notification that a design is protected by design right does not constitute a threat of proceedings for the purposes of this section.

Patents Act 1977 as amended by the Patents Act 2004

70 Remedy for groundless threats of infringement proceedings

- (1) Where a person (whether or not the proprietor of, or entitled to any right in, a patent) by circulars, advertisements or otherwise threatens another person with proceedings for any infringement of a patent, a person aggrieved by the threats (whether or not he is the person to whom the threats are made) may, subject to subsection (4) below, bring proceedings in the court against the person making the threats, claiming any Relief mentioned in subsection (3) below.
- [(2) In any such proceedings the claimant or pursuer shall, subject to subsection (2A) below, be entitled to the relief claimed if he proves that the threats were so made and satisfies the court that he is a person aggrieved by them.
- (2A) If the defendant or defender proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a patent—
 - (a) the claimant or pursuer shall be entitled to the relief claimed only if he shows that the patent alleged to be infringed is invalid in a relevant respect;
 - (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.]
- (3) The said relief is—

- (a) a declaration or declarator to the effect that the threats are unjustifiable;
- (b) an injunction or interdict against the continuance of the threats; and
- (c) damages in respect of any loss which the [claimant] or pursuer has sustained by the threats.

[(4) Proceedings may not be brought under this section for—

- (a) a threat to bring proceedings for an infringement alleged to consist of making or importing a product for disposal or of using a process, or
- (b) a threat, made to a person who has made or imported a product for disposal or used a process, to bring proceedings for an infringement alleged to consist of doing anything else in relation to that product or process.]

[(5) For the purposes of this section a person does not threaten another person with proceedings for infringement of a patent if he merely—

- (a) provides factual information about the patent,
- (b) makes enquiries of the other person for the sole purpose of discovering whether, or by whom, the patent has been infringed as mentioned in subsection (4)(a) above, or
- (c) makes an assertion about the patent for the purpose of any enquiries so made.]

[(6) In proceedings under this section for threats made by one person (A) to another (B) in respect of an alleged infringement of a patent for an invention, it shall be a defence for A to prove that he used his best endeavours, without success, to discover—

- (a) where the invention is a product, the identity of the person (if any) who made or (in the case of an imported product) imported it for disposal;
- (b) where the invention is a process and the alleged infringement consists of offering it for use, the identity of a person who used the process;
- (c) where the invention is a process and the alleged infringement is an act falling within section 60(1)(c) above, the identity of the person who used the process to produce the product in question;

and that he notified B accordingly, before or at the time of making the threats, identifying the endeavours used.]

Community Design Regulations 2005

Remedy for groundless threats of infringement proceedings

2. (1) Where any person (whether entitled to or interested in a Community design or not) by circulars, advertisements or otherwise threatens any other person with proceedings for infringement of a Community design, any person aggrieved thereby may bring an action against him for any such relief as is mentioned in paragraph (2).
- (2) Subject to paragraphs (3) and (4), the claimant shall be entitled to the following relief
 - (a) a declaration to the effect that the threats are unjustifiable;
 - (b) an injunction against the continuance of the threats; and
 - (c) such damages, if any, as he has sustained by reason of the threats.
- (3) If the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a registered Community design the claimant shall be entitled to the relief claimed only if he shows that the registration is invalid
- (4) If the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of an unregistered Community design the claimant shall not be entitled to the relief claimed.
- (5) Proceedings may not be brought under this regulation in respect of a threat to bring proceedings for an infringement alleged to consist of the making or importing of anything.
- (6) Mere notification that a design is—

- (a) a registered Community design; or
- (b) protected as an unregistered Community design,

does not constitute a threat of proceedings for the purpose of this regulation.

(7) In the application of this regulation—

- (a) to Scotland, the expression "injunction" shall be construed as "interdict", "claimant" shall be construed as "pursuer", and "defendant" shall be construed as "defender";
- (b) to Northern Ireland, any reference to "claimant" includes a reference to a plaintiff.