IP groundless threats provisions - why reform is required

The Law Commission has recently begun work on a perhaps long overdue project to consider whether to repeal, reform or extend the provisions in trademark, design and patent law that allow parties who have been threatened with infringement proceedings to seek damages from the makers of the threat.

Whilst the intention behind the groundless threats provisions was to prevent commercial damage from being done to traders and down stream parties and to stop threats of infringement action being made casually by proprietors of IPRs, there is concern that particularly in the case of trademark law, the provisions are too draconian and may encourage litigation rather than negotiation in the first instance, with the result of increased costs for parties. This is inconsistent with the Civil Procedure Rules which aim to reduce the cost of litigation and encourage a negotiate first, sue later approach.

It goes without saying that a proprietor of an IPR should be able to defend their rights against an infringer and that it would be advantageous in most circumstances to be able to negotiate with an alleged infringer and to have the opportunity to resolve the matter without bringing expensive infringement proceedings. However, many IPR proprietors are choosing not to proceed in this way in view of the possibility of being sued for making threats with one of the remedies available being the payment of damages.

Section 21 of the Trade Marks Act 1994 provides the legal basis for an action for groundless threats and is particularly broad, allowing any person aggrieved by a threat of infringement proceedings (except for threats concerning the application of the mark to goods/packaging, the importation of goods/packaging to which the mark has been applied and to the supply of services under the mark) to bring proceedings. Trade Mark infringement does not always fall directly in the excluded categories and for example may often involve the use of a similar mark rather than the specific registered mark. Hence, although the idea behind the exemption in section 21 was to prevent threats to primary infringers from being sueable, the application of the law currently means there is a risk that any letter to even a primary infringer before infringement proceedings are brought could be considered to be a threat and could result in the eventual payment of damages if any infringement action is unsuccessful. This presents a great risk to any Trade Mark proprietor in approaching a potential infringer before issuing proceedings.

With respect to patents, the reform of section 70 in the 2004 Act went some way to dealing with many practitioners concerns. Thus, in the amended Act, relief for the issue of a threat is not available if infringement of the patent is shown, even in situations where the patent is found to be invalid as long as it can be shown that the proprietor did not suspect the relevant part was invalid at the time of the threat.

Further, the threats exempted from action under s70 were broadened to include not only threats in respect of making or importing a product or using a process, but also to include threats concerning other activities (e.g. marketing/retail) made to a person who has made or imported a product or used a process.
A further defence allowing a threat to a secondary infringer if best attempts to find the primary infringer failed was also included, addressing the concerns of many that the Act did not provide for a situation where a primary infringer could not be identified and where secondary infringers could not be contacted without the risk of threats proceedings being issued.

However, even with the patent reforms, the complexity of the law in this area means that any pre-proceedings contact with an alleged infringer comes with a risk of an action under the threats provisions. The only entirely risk free way of proceeding in the UK is to issue infringement proceedings as a first step and it is therefore clear that some kind of reform is needed to the threats provisions. The harsh consequences on IPR proprietors for falling foul of the provisions makes the UK an unattractive jurisdiction in which to resolve IP disputes and this needs to be addressed.

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