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## The Chartered Institute of Patent Attorneys

### Intellectual Property (Unjustified Threats) Bill Call for Evidence

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 **CIPA**  
The Chartered Institute of Patent Attorneys  
Founded 1882  
Royal Charter 1891

## Introduction

The Chartered Institute of Patent Attorneys (“CIPA”) is the representative body for Chartered Patent Attorneys in the UK. Most CIPA fellows (around 2240 people) are Registered Patent Attorneys regulated by IPReg (a national Regulatory Authority supervised by the Legal Services Board under the Legal Services Act 2007) and are also qualified European Patent Attorneys (although the three groups do not completely overlap).

CIPA welcomes the Bill. We submitted some comments on it to the Law Commission in July 2015 and further comments to the IPO in October 2015. Copies of both documents are attached, together with our proposals for amendments which should be made to the Bill.

Obtaining an IP right is often a costly process but one which applicants are willing to go through as it provides them with protection and enables them to enforce their right. When rights holders believe that their IP rights are being infringed, they need first to investigate and see whether there is a matter in dispute. If there is, then they need to look at how that will be resolved. Litigation is not always the first choice. Current best practice would be to look at ADR. In fact this is not only encouraged, it is a normal expectation under the Courts’ protocols and guidelines on pre-action conduct. Settling disputes quickly is frequently in the best interests of the IP rights holder. So it is important that discussions can be opened, even if the ultimate sanction – litigation in the Court – is only to be sought if discussions do not bear fruit.

On the other hand, the threat of bringing IP litigation can be highly damaging – particularly where the party has a dubious IP right or where they have no intention of bringing proceedings. So the “Threats” provisions were first introduced to provide a remedy to abuses of the system.

However, they now provide a regulatory burden to all and, in order to avoid the risk to being accused of making an unjustified threat, they can push IP rights owners into issuing Claim Forms, and so beginning the very litigation which the Courts would rather were avoided.

The Threats provisions proposed by the Law Commission are long and complicated. There is a risk that while navigating through the lengthy and burdensome provisions, a good law-abiding attorney, representing a client whose products are being infringed, drafts a letter to the potential infringer that does not adequately communicate the need to stop the infringing act for fear of making a groundless threat. These letters already meet with the response “We do not understand your letter and have filed it.”

Letters are part of a dispute settlement process, as well as for parties genuinely wanting to explore whether there is infringement or for finding out who is the correct party to sue, or for those seeking to find a settlement. These letters should not be

drafted in a regime of fear of being penalised. It should be possible to write a letter that is sufficiently clear to catch the receiver's attention and alert the receiver to the need to seek legal advice without being one that would constitute an actionable unjustified threat.

CIPA is aware that there has often been abuse of the threats provision, but a balance must be struck so that right holders with real grievances are able to write letters without fear of being penalised. The proposed provisions as they are drafted still require everyone to go through multiple hoops before writing a letter, which may fail to communicate the message strongly enough to be taken seriously by the receiving party. Whilst this might have been expressed as a tort of unfair competition, without a set of written tests, the Law Commission did not choose to go this way. So our present comments are based on dealing with some final drafting issues.

## **Comments**

### Professional Advisers

We welcome the Law Commission's move to exempt lawyers, patent attorneys and trade mark attorneys from being personally sued, in addition to their clients. The current provisions are most frequently being used by those accused of infringement to separate the IP rights holder from their chosen legal professionals. A letter sent accusing both the IP rights holder and the legal adviser of an actionable threat creates a conflict of interests between the client and the legal adviser, which can result in the legal adviser having to step down, even if the threat was not actionable or was wholly justifiable.

However, we question the breadth of the current provisions and whether these should be widely applied to any "professional adviser", rather than to those who have been trained in the relevant areas of the law and able to advise properly on infringement, validity, court proceedings and the threats provisions themselves.

In paragraph 1.1 of the document we submitted in July 2015, we pointed out that s.70D (2) was not clear as to whether both (a) and (b) are required to define a "professional adviser". This has now been clarified and we welcome the change. However, we believe that these provisions are still not specific enough and allow non-lawyers to fall in the category of "professional adviser".

s.70D(2)(b) requires someone to be acting a professional capacity and to provide legal services or the services of a patent or trade mark attorney. It does not require someone to have that title: only to provide the services.

s.70D(2)(b) requires the "professional adviser" to be regulated by a "regulatory body" – either through membership of that body or by a licence to practise or by any other means. "Regulatory body" is not defined and can be broadly interpreted. For example, a group of

non-lawyers could set up a membership body and write rules for members of that body and assert on the basis of that membership, they were “regulated.”

We recognise that the Law Commission was intending that the wording be broad enough to protect lawyers and patent attorneys acting in other jurisdictions, as well as those in the UK, but the current wording is not restricted to those with relevant qualifications.

Any person who is acting in a professional capacity and regulated or licensed to practice by a trade body may be subject to the provision. As suggested in our response to the Law Commission’s consultation in July 2015, we recommend deleting “one or more regulatory bodies” and inserting:

“one or more approved regulators as defined in the Legal Services Act 2007, or equivalent legal service regulators for Scotland, Northern Ireland, or another national jurisdiction [within the EU, or by the European Patent Office]”.

If the intention is to provide exemption for legal representatives in any jurisdictions, then the wording in square brackets should be omitted. If the intention is to provide protection across the EU only, then the wording in square brackets would provide that limitation.

Similar amendments should be made in each of the sections relating to the other rights:

- Clause 2 of the Bill - s.21D(2) – for trade marks
- Clause 4 of the Bill - s.26D(2) – for registered designs
- Clause 5 of the Bill - s.253D(2) – for design rights
- Clause 6 of the Bill - s.2D(2) – for community designs

#### Who can be threatened - patents

In our response to the Law Commission’s consultation in July 2015 we pointed out that s.70A(4) continued to focus on the acts done, rather than who is doing them or purporting to do them. We mentioned that some potential infringers may refer to “our new product line” and so give the impression that they are primary infringers without explicitly saying so. Behind these statements, there may be a third party manufacturer within the UK or abroad or a third party importer. We still think that these sections need to be amended to provide protection for letters sent to those who hold themselves out as primary infringers. In our response (submitted in October 2015) to the IPO’s discussion paper with the proposed wording for the bill, we suggested clause 70A(4)(a) be amended to say:

- (4) A threat of infringement proceedings is not actionable if the threat—
  - (a) is made to a person who has done, or intends to do, an act mentioned in subsection (2)(a) or (b) in relation to a product or process, or purports to do so and
  - (b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to ~~that~~ any product or process having, [so far as is material [to the alleged infringement]] the same features of such product or process.

We suggested alternative wording in (4)(b) might be

“that product or process or any equivalent product or process” or  
“that product or process whether or not so made or imported or so used”

We attach a further copy of our October 2015 submissions, which provides examples to support our reasoning for this change.

Similar amendments should be made in each of the sections relating to registered and unregistered designs:

Clause 2 of the Bill - s.21A(4) – for registered trade marks

Clause 4 of the Bill - s.26A(4) – for registered designs

Clause 5 of the Bill - s.253A(4) – for design rights

Clause 6 of the Bill - s.2A(4) – for community designs

#### Who can be threatened – trade marks

An unjustified threat of trade mark infringement is usually actionable but will not be actionable if the threat is in relation to the application of the trade mark to goods, or the offer of services under the mark. Under the Law Commission’s proposed amended provisions, the sale/supply of the goods to which the mark has been applied is also excluded from being actionable.

While this works reasonably satisfactorily in relation to services or to the physical application of the mark to goods (e.g. where goods have the mark stamped on them), there is a substantial gap where a person uses a third party trade mark to advertise goods on a website or in other electronic form. As a major channel for supply of goods is now over the internet, this is a very significant gap. It is all the more so, as it is far easier to supply goods over the internet under an infringing brand than to do so in a brick and mortar store where the goods or packaging are likely to have to be physically marked with the relevant brand.

This issue arises in relation to goods which are sold over the internet where the goods themselves are not physically marked with the relevant trade mark. In those cases, there is a significant risk that use of the mark on the website would be held not to constitute application of the mark to the goods. Indeed there is authority in relation to the criminal offence of trade mark infringement which strongly implies that (in that context) application to the goods is limited to physical application of the mark to the goods. Therefore, writing a threatening letter to a business in relation to a website advertisement for goods where those goods have not been physically marked with the relevant trade mark runs the risk of constituting an actionable threat and not being protected by the exclusion – and if the goods or their evident packaging are not physically marked there is no possibility of referring to the marking on the goods or their packaging.

In such a case, there is a somewhat convoluted method of taking advantage of the exclusion in relation to supplying services under a mark. The person writing the letter can restrict the letter to asserting that the potential infringer, by offering of retail services under the mark is infringing the trade mark registration. Not surprisingly, this can be really confusing to the receiver of the letter asserting infringement.

Note also that section 21B(2)(b) [**Permitted Communication**] will not work in the case where the only use of the trade mark is on the internet or electronic form, and this is held not to be application to the goods. That provision allows a letter to be sent directed to finding out who is responsible for an act in 21A(2)(a) or (b) – i.e. application of the mark to the goods or their packaging. However if “application” means physical application, there may not have been anyone who has applied the mark to the goods or their packaging, for example if they are received by the internet trader unmarked.

In our response to the IPO’s discussion paper in October 2015, we raised this issue and proposed an amendment. As an alternative, we now propose an amendment to deal with this issue, by adding s.21A(2A).

The proposed provision is straightforward. It is based on the premise that, when a person, on the internet or by other electronic means, is the person who makes the connection between the trade mark and the goods, that person is “applying” the mark, even if they do not physically attach the mark to the goods. It does this by saying that use on the internet or in an electronic communication or other electronic form is deemed to be application of the sign to the goods.

There should be an exception however to this. That is, if the trader, just as a trader in a physical shop, is supplying goods which have already been physically branded, and that is obvious from the internet advertisement, then the trader is not the original person putting the sign on the goods or connecting the goods with the sign. In that case the person writing the letter can refer to the physically marked goods when asserting infringement. It would need to be known whether the goods have already been branded.

If the goods are such that they are too small or otherwise branding is not carried on them but it is obvious (e.g. from connected labelling or marketing literature) that they are branded then this also could be excepted.

We suggest that the use on a website/ internet for which the addressee is responsible, and where it is not evident that the goods themselves or their packaging or associated marketing material have already been branded in that manner, then such use should be treated as application of the trade mark to the goods.

We therefore suggest adding a new section 21A(2A) as follows:

(2A) for the purposes of subsection (2), use of a sign in electronic form, in particular in an electronic publication or communication, shall be treated as having been applied to the goods or their packaging; provided however that this shall not apply if it is clearly evident from the publication or communication or some other material clearly apparent from such use, that the sign has already been physically applied to those goods, their packaging or clearly associated material other than by the originator of the electronic publication or communication or other form.

#### Pending applications

s.70E states that in s.70-70C, references to a patent include an application for a patent that has been published under s.16. Reading “patent application” for “patent”, in s.70C(3) causes

issues. This section deals with patent infringement. It is impossible to infringe a patent application, as the right has not been granted yet. Once the patent is granted, damages can go back to the date the application was published. But the patent claims may change considerably between the original 18 month publication and those present at grant. So the defence should not stand that the act might have infringed the patent application – which is the effect of reading s70E in combination with s.70C(3). However, it could be a defence that the act would have infringed the patent when granted

Accordingly, we suggest that s.70E be amended as follows:

“In sections 70 to 70C, but not including s.70C(3), references to a patent include an application for a patent that has been published under section 16. In s.70C(3), in relation to an application for a patent, the section should read “infringement of the patent when granted.””

We have given thought to whether similar amendments should be made to the corresponding provisions relating to applications for registered trade marks and registered designs. With patents there tends to be considerable delay between early publication and grant, and where the scope of the monopoly may be significantly amended. Registered designs are only published on registration. So we are not sure that the following sections serve any useful purpose, but they may not harm either:

Clause 4 of the Bill - s.26E– for registered designs  
Clause 6 of the Bill - s.2AE – for community designs

Trade mark applications are published for opposition. The mark itself will not change, but if there is opposition, the scope of goods and services in the application could be cut down before registration and so take out of the ambit of infringement, acts which might have been an infringement if the pending application had been granted without further amendment. Consequently, we think a similar amendment should be made to Clause 2 of the Bill - s.2E – for registered trade marks.

“In sections 21 to 21C, but not including s.21C(3), references to a trade mark include references to a trade mark in respect of which an application for registration has been published under section 38. In s.21C(3), in relation to an application for a trade mark, the section should read “infringement of the trade mark application when registered”.”

We should be happy to answer any questions that the Committee may have or to assist in any way with the passage of this bill

CHARTERED INSTITUTE OF PATENT ATTORNEYS  
3 OCTOBER 2016

Attachments:

Comments to Law Commission dated July 2015  
Comments to the IPO dated October 2015  
Marked up copy of the Unjustified Threats Bill