

The Chartered Institute of Patent Attorneys

Intellectual Property (Unjustified Threats) Bill Comments

Contact: Lee Davies
Chief Executive
lee@cipa.org.uk
020 7450 9450

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 reiterate our position that we would prefer to see the threats provisions replaced with an unfair competition law that will more closely align our law with that of other EU jurisdictions. However, to the extent that the threats provisions are here to stay, we thank the Law Commission for their careful consideration of the issues and are pleased that the Bill will harmonise the treatment of the different Intellectual Property rights.

We have comments on some of the proposals. Although our comments largely concentrate on the proposed changes to the Patents Act, in fact, our comments are equally applicable to the other sections and any changes made to one section should be carried through to the provisions relating to the other rights.

Executive Summary

- CIPA believes that the definition of Professional Advisors should be clarified: as currently drafted they are too broad and go beyond the Law Commission’s recommendation (see para 7.14 Law Comm. No 346).
- We have suggested a rewording of the proposed s.70A of the Patents Act 1977, which simplifies and clarifies which threats would fall within the ambit of non-actionable threats. This is in line with the Law Commission’s recommendation (see para 5.94 Law Comm. No 346).
- We are concerned that the “Permitted Communications” provisions are “overly prescriptive” (cf para 6.52 Law Comm No 346) and have suggested amendments to provide parties with the opportunity to communicate without giving rise to litigation.
- We believe that there are some unintended consequences in the drafting by the way in which reference is made to published applications, in particular in the case of patents, and propose that this drafting be revised.
- We have a number of minor other amendments.

In this response, we will refer to the proposed new section numbers as set out in the Bill. We will not refer to the clauses of the Bill itself. Where we refer to the existing section numbers in the existing legislation, we will make that clear.

1. Professional Advisers

1.1. The provisions dealing with Professional Advisers are found at s.21D Trade Marks Act 1994; s.253D of the Copyright, Designs and Patents Act 1988; s.26D Registered Designs Act 1949; regulation 2D Community Design Regulations 2005; s.70D Patents Act 1977.

1.2. As mentioned in the summary, we comment on the proposed amendments to the Patents Act, but, unless indicated otherwise our comments are equally applicable to the other provisions and any amendments should be made to those other provisions too.

1.3. CIPA believes that these provisions, as worded, go well beyond the Law Commission's recommendation.

1.4. In para 7.14 Law Comm. No 346, the Law Commission stated:

We recommend that a lawyer, registered patent attorney or registered trade mark attorney should not be liable for making threats where they have acted in their professional capacity and on instructions from their clients.

1.5. At the moment, "professional adviser" is defined in **s.70D(2)** as a person who

- (a) *is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney;*
- (b) *is regulated in the provision of legal services, or the services of a trade mark attorney or a patent attorney, by one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practice or any other means).*

1.6. Comments:

- i. The provisions are unclear as to whether to be a "professional adviser", both para (a) AND para (b) are required, or just para (a) OR para (b). We presume that both were intended, but this should be clarified.
- ii. **s.70D(2)(a)** applies to a person who provides legal services or services of a trade mark or patent attorney. Trade Mark Attorney is not a protected title and can be used by anyone providing services related to trade marks. Patent Attorney is a protected title. It can be used by Registered Patent Attorneys and by solicitors. But the services of a patent attorney are not restricted to those on the Register of patent attorneys or on the solicitor's roll. There is no restriction on who might provide services of this type in the UK, even if they are not allowed to use the title. There are also European patent attorneys who are on the list held by the European Patent Office, and who provide similar services and may work in the same firms alongside Registered Patent Attorneys. Additionally there are other jurisdictions which also use the title "patent

attorney”, but there is no harmonisation of this term across Europe, either in terms of qualification or regulation. In the US, a patent attorney has a full legal qualification, as well as being admitted to the Patent Bar.

- iii. Given that the patent threats provisions are to cover the UPC as well, it makes sense for European Patent attorneys to be included in relation to patent threats.
- iv. It would be possible to amend **s.70D** by deleting “the services of a patent attorney or a trade mark attorney” and replacing it with:

“patent attorney work as defined in Section 275A of the Copyright, Designs and Patents Act 1988 or trade mark agency work as defined in Section 83A of the Trade Marks Act 1994”.

- v. **s.70D(2)(b)** requires regulation through a regulatory body, but does not make reference to the Legal Services Act 2007. This leaves it open to those who are not regulated under that Act to argue that they are practising in a professional capacity and are regulated by some other form of regulation or licensed by a trade body to practise. The proposed wording gives no indication as to what would constitute a regulatory body. For example, the European Patent Office prescribes codes of conduct under which European Patent Attorneys practice. Breach of those codes can lead to disciplinary proceedings.
- vi. Likewise, across Europe and other states, there are various forms of regulation for those who offer legal services, or the type of services which trade mark and patent attorneys offer. The provisions potentially provide protection for these advisers too. This goes beyond the Law Commission’s recommendation. We know that the Explanatory Memorandum was at an early stage of preparation, but para 43 does not explain the intended effect.
- vii. Additionally, if the intent is to exempt those licensed under the Legal Services Act, then we have detailed point on the drafting. Registered Patent Attorneys are regulated by the Patent Regulation Board and Registered Trade Mark Attorneys are regulated by the Trade Mark Regulation Board. These two boards operate together as the Intellectual Property Regulator (“IPReg”). However, IPReg does not have a “membership”. IPReg does issue a licence to practise. The Legal Services Act separated the regulatory and representation roles of the bodies who were authorised. It is not a requirement for Registered Patent Attorneys or Registered Trade Mark Attorneys to be members of either CIPA or ITMA, and membership of either body does not provide the “licence to practise”. The same is true of the SRA and the Law Society.

- viii. If the intention was to restrict this section to certain European professionals, then we suggest 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”.

- ix. With respect to ensuring that European Patent Attorneys can benefit under **s.70D** alone (and not the other sections) we suggest adding to **S.70D(2)(b)**:

“, or by the European Patent Office”.

2. Actionable Threats

- 2.1. **S.70A** sets out which threats are actionable and which are not. We will look at the patent provisions, but would like to point out that any changes be carried forward and implemented similarly to the other sections dealing with other intellectual property rights.

- 2.2. In para 5.94 Law Comm. No 346, the Law Commission stated:

We recommend that a groundless threats action may not be brought for threats to bring proceedings for infringement made to a primary actor.....

- 2.3. **S.70A** sets out four provisions under which a threat of infringement proceedings is not actionable. Here we consider **s.70A(2)-(4)** and not **s.70A(5)**.

- 2.4. **s.70A(2)** - the unamended provisions of the Patents Act focus on the activities in relation to which one may issue a threat, regardless of the person to whom those threats are made. This has been duplicated in **s.70A(2)**. **S.70A(3)** extends these provisions to intended acts (which is new and appreciated) and **s.70A(4)** extends this to all further activities (including where the products have not yet been made or imported – also appreciated), where there is a person who has carried out or intends to carry out the acts of “primary infringement”.

- 2.5. However the wording of **s.70A(2)** continues to focus on the activity and not the person. As drafted, the provisions seem to allow an undesirable situation to occur where threats are made to a non-primary infringer, but in relation to the acts of a primary actor, without that threat being actionable. So it will exempt a threat sent to a retailer where the threat relates to the action of manufacture. We are not sure that this is what the Law Commission intended.

- 2.6. Some of our members are happy to keep the proposed wording as drafted, not least as we are not aware of there being significant abuse which needs to be

rectified and determining who is a primary and who is a secondary infringer is not always easy.

- 2.7. Other members wish to propose that these provisions be reworded to allow all threats to primary infringers (and those who purport to be primary infringers) not to be actionable and ensure that any threat to secondary infringers would be actionable unless the threat falls within one of the permitted communications in **s.70B**, provided that the permitted communications extend to communications made for a “legitimate commercial purpose” as recommended by the Law Commission at para .6.113 of Law Comm. 364.
- 2.8. We would also like to bring one further point to the Law Commission’s attention. S60(2) Patents Act 1977 makes provision for contributory infringement. This is the type of infringement in which a competitor may engage, whilst the actual person who makes the final product or uses the patented process is the customer (who should not be threatened). The existing threats provisions and the current draft amendments (and this relates to patents rather than other rights) do not clearly permit the making of threats to those who are making or importing (or intending to do so) “means relating to an essential element of the invention”. This is different from the point which we made to the Law Commission in our response about “equivalent products”.
- 2.9. Accordingly, to deal with all the points which we raise, we propose that s.70A(2)-(4) be deleted and replaced with a new s.70A(2):

“A threat of infringement proceedings is not actionable if the threat is made to a person who -

- (a) has made or intends to make a product which is the subject of the threat*
- (b) has imported or intends to import a product which is the subject of the threat*
- (c) has used or intends to use a process which is the subject of the threat*
- (d) has made or imported or intends to make or import means relating to an essential element of the invention which is the subject of the threat*
- (e) has explicitly or implicitly purported to fall within any of (a)-(d).”*

- 2.10. With regard to (e), there has been some discussion as to what the best wording would be. Sometimes a patentee’s competitor may refer to “our new product line”, giving the impression that they are the primary infringer without explicitly saying so. But in reality they have merely bought it in or commissioned its manufacture elsewhere, arguably making them a secondary infringer. Various alternatives have included:

(e) a reasonable person having made reasonable enquiries in the circumstances would at the time the threat was made have reasonably believed fell within any of (a)-(d);

and

(e) a reasonable person would believe fell within any of (a)-(d);

- 2.11. If our requested amendment is not accepted and the provisions remain as they are, then, in order to deal with the issue of a front line contributory infringer we request that **s70A(2)** be amended to include:

(c) the making or importing of means relating to an essential element of the invention

- 2.12. In this event, then the provisions of **s.70A(3) and (4)** would also need amending so as to refer to subsection (2)(a) to (c).

3. Permitted Communications

- 3.1. CIPA welcomes the clarification that has been produced and, as proposed in Law Comm. 346, examples of wording which is permitted. We do have some reservations in relation to how this section is worded.

- 3.2. Information necessary to the purpose - CIPA believes that there is one point at which these provisions are overly prescriptive (contrary to the Law Commission's intentions see para 6.52 of Law Comm. 364 "However, we accept that the provision should not be overly prescriptive"), and will have the effect of severely restricting the room for IP right owners and licensees to communicate with potential secondary infringers in order to identify the primary infringer.

- 3.3. **S.70B(1)** has three limbs, each of which must be fulfilled in order for a letter to be a "permitted communication". Of these three, the most difficult to comply with is the **s.70B(1)(b)**. It states:

All of the information communicated is information that is necessary for that purpose

- 3.4. As we read this, if a letter contains any extraneous information, it will fail to qualify as a permitted communication. We consider this to be overly prescriptive and leaves the way open for satellite litigation as to whether or not there is extra information in a letter.

- 3.5. We propose that **s.70B(1)(b)** be reworded to be less prescriptive, as follows:

"the information communicated is information that is relevant to that purpose".

- 3.6. Extension of the list of "permitted purposes" - We note that our proposed change does not follow the strict wording of the second limb of the Law Commission's recommendation "if the information given is necessary for that purpose" but it gives more impact to the first limb of that recommendation that "communications should be excluded from the groundless threats provisions if they are made for legitimate commercial purposes" (see para 6.113 Law Comm. 346).

- 3.7. We have noted that the Law Commission’s recommendation in para 6.113 was “We recommend that communications should be excluded from the groundless threats provisions if they are made for a legitimate commercial purpose, and if the information given is necessary for that purpose.” And that para 6.114 then indicated that examples should be provided of legitimate commercial purposes and para 6.115 gave some examples.
- 3.8. We know that the Government did not fully accept the Law Commission’s recommendation in respect of the definition of “legitimate commercial purposes” and we have noted the provision of **s.70B(3)**, which allows the courts to lengthen the list of “permitted purposes” set out in **s.70B(2)**, when it is in the “interests of justice” and “having regard to the nature of the purposes listed in subsection 2(a) to 2(c)”. But the “interests of justice” and the limitation by analogy on the extent to which the court may treat other purposes as a “permitted purpose” appears to apply a much narrower scope than “legitimate commercial purposes”. It is further noted that the Bill contains no overall definition to replace “legitimate commercial purposes” but instead relies on the courts bootstrapping practice through analogy with a list of permitted purposes. CIPA is of the view that the proposed mechanism of **s.70B(3)** does not provide sufficient room to permit the law to develop.
- 3.9. Notification of existing right - Following the consultation, we have noted that the Law Commission wished to reduce the scope of the current safe harbour that existed under current provision s.70(5)(a) Patents Act 1977, which allows the provision of factual information about the patent in any event. The wording of **s.70B(2)(c)** follows the recommendation in para 6.115(2). . The wording in **s.70B(2)(b)** was not in Law Comm. 346, and we are unclear whether this actually serves an intended purpose. In **s.70B(2)(b)**, we have a difficulty with the wording “where the existence of the right is not obvious”. We assume this intends “obvious to the person threatened”. Explanatory Note 32 suggests that this may apply if an inspection of the thing by someone would not reveal a patent number. So if a patentee marks the patent number on his own commercial product (or as now permitted following the Intellectual Property Act 2014, by listing relevant patents on its website), and the person threatened is aware of the patentee’s product (or website), then apparently the safe harbour is lost. We note that even if the existence of the patent (or other right) is obvious in this way, it may be legitimate for the patentee to advise a secondary infringer to which product or process it is considered relevant – compare **s.70B(5)(c)** – but there would be no safe harbour for that.
- 3.10. If it is not clear what this sub-section is supposed to add, then it may be better to delete it.
- 3.11. Examples of permitted communications - In para 6.116-6.117 Law Comm. 346, the Law Commission recommended “the statute should provide examples of information which may be communicated”. We understand that that forms the basis for **s.70B(5)**. However, on reflection, we think it might be important that

a communication should clearly be identifying the relevant right and the relevant product. Further, in relation to unregistered design rights, we think it would be helpful if one did not just set out “details of the right”, but had to make it clear as to how the unregistered right subsists and from when, as there is no register from which that information can be found.

- 3.12. An International dimension - There is an international dimension to proceedings which might be brought in relation a Community trade mark, a Community design or a patent case before the UPC. **s.70B(2)(c)** ends “where another person’s awareness of the right is relevant to any proceedings that may be brought under this Act”. In relation to Community Trade Marks and Designs, the proposals refer to “this regulation”: the “regulations” being referred to are the UK SIs which relates to Community Trade Marks and Designs, not the EU Regulations which gives rise the Community Registrations in the first place.
- 3.13. Community Trade Mark and Design courts exist in each EU member state. A non-UK based defendant may be sued in another state and in respect of acts which took place in the UK. With regard to patents, the UK based defendant may be sued in the UPC. So the threats provisions will apply to any threat to bring such proceedings. However, the “permitted communication” only deals with “proceedings which may be brought under this Act/these regulations”. So unless the court then decides to the extend the list under s.70B(3), this section is too restrictive. We suggest deletion of “under this Act/under these regulations” where relevant proceedings may be brought in another jurisdiction.

4. Defences

- 4.1. Validity - CIPA has reservations about the deletion of all reference to the relevant right needing to be valid.
- 4.2. CIPA understands the Law Commission’s position to be that an invalid right cannot be infringed under English law and that consequently there is no need to refer to validity. The difficulty here is that we are also discussing rights which can be enforced in other EU jurisdictions and where decisions of the UPC and CJEU will also apply. So we would prefer that in relation to registered rights that reference to the right being upheld when challenged is retained. In relation to unregistered design rights, the court would need to find that the right was subsisting.
- 4.3. The exclusive jurisdiction of the UPC - CIPA understands the Law Commission’s position to be that the English court will be able to look at the issues of infringement and validity of Unitary Patent or European Patent (UK) which has not been opted out from the UPC, notwithstanding that the UPC will have exclusive jurisdiction over infringement and validity. We are not sure that the UPC will agree with that position. Therefore, we still think that in order to

deal with defences of justification, proceedings will still need to be brought in the UPC. That may necessitate a stay of the UK proceedings.

- 4.4. Threats and patent validity - CIPA further regrets the deletion of s.70 (2A) Patents Act 1977. We consider that the amendment made by the Patents Act 1994 had been arrived at after careful consultation and sweeping it away does not assist parties in addressing, pre-litigation, the issues of potential patent infringement, particularly when the structure of group companies can make the identification of the primary infringer hard to ascertain.
- 4.5. The threats provisions are designed to address reckless or malicious assertion of rights. Where a patent holder has good faith belief in the validity of its rights, then it is fair competition to assert that right. (i.e. a legitimate commercial purpose as set out in para 6.113 of Law Comm. 346) The fact that the patent may be revoked for reasons which the patentee did not know and could not know makes it that much harder to assert the patent and enter into discussions with an infringer.
- 4.6. The abolition of this section may also have the effect of causing threats actions to be brought, and brought more quickly, without the alleged infringer informing the patentee of validity allegations of which the patentee is not aware.

5. Supplementary: pending applications

- 5.1. CIPA is uncertain of the intention behind **s.70E**. We have not found a specific recommendation relating to this in Law Comm. 346, but are aware of the discussions around bringing the existence of a pending right to the attention of a potential infringer.
- 5.2. Until a right has been granted, it is not possible, in England, to bring proceedings for infringement. Where pending applications have been brought to the attention of potential infringers, the courts have interpreted this as a threat to bring proceedings once the right has been granted/registered. But until then, it has not been possible to offer any defence to an action for an unjustified threat.
- 5.3. We are having difficulty with the interaction between **s.70E** and **s.70C(3)**. If “patent” at the end of **s.70C(3)** is to be read as “patent application”, by virtue of the wording of **s.70E**, then this allows a patent applicant to defend itself on the basis that the alleged infringer’s product falls within the wording of the claims in the pending application. As that has not yet been examined, the issue of validity does not come into play. One of the following may occur: the court will be asked to carry out the task of the patent office in examining the pending application; the proceedings will be stayed pending grant; or the court will decide that the injunction can be granted as the patentee is not able to bring infringement proceedings until after grant.

- 5.4. On the whole, we consider that it may be appropriate to amend **s.70E** so that **s70C(3)** is excluded from this extension.
- 5.5. In relation to patents (but not trade marks and designs) we have further comments on the specific drafting of **s.70E**. When registering Trade Marks and Design Rights, applications are filed to protect trade marks and designs respectively. So **s.21E** correctly states:
- “references to a registered trade mark include references to a trade mark in respect of which an application for registration has been published....”.*
- 5.6. However, a patent is filed to protect an invention, not to protect a patent. The patent is the granted right, not the subject matter of the application. So the wording of **s.70E** does not work as drafted. If the drafting is to be kept identical to the trade mark and design sections, then we would propose changing “patent” to “invention”. However, this does not then carry the right impact. So instead we propose that this is amended to:
- “references to a patent include references to an application for a patent which has been published....”.*
- 5.7. We have another drafting issue with **s.70E**. It only refers to applications published under s.16 Patents Act 1977. Applications filed through the PCT or via the EPO will also give rise to rights to damages in the UK, but these are not published under s.16. Applications under the EPC are published by the EPO. By virtue of s.78 Patents Act 1977, they are treated as applications under the Act. We have not been through all the provisions to find the right legal basis, but Art 67 EPC provides that provisional protection is to run in member states from the date of publication of the European application.
- 5.8. Locating the right basis for PCT applications may take more time. These applications are originally published by WIPO under the Patents Co-operation Treaty and then can give rise to rights in the UK when they enter the UK national phase or when they are converted into EP applications. There is a further publication if the original was not in recognised language when the application has progressed to the next stage. The relevant provisions of the Patents Act 1977 start at s.89.
- 5.9. We should be pleased to assist with finding the right language for **s.70E**, but the restriction to s.16 Patents Act is not the right language.
- 5.10. There are similar issues with the wording of **s.2E** for Community Designs and **s.26E** for UK Registered Designs. The EU is already a member of the Hague Convention on the protection of Designs and the UK is planning to join shortly. Provision was made in the Intellectual Property Act 2014. Publication of the right may take place under different provisions.
- 5.11. In relation to **s.2E**, please add the wording

“and an international registration (within the meaning of Articles 106a to 106f of that Regulation) designating the Community or an application therefor.”

- 5.12. When the Registered Design Act is amended to bring in the Hague systems, then similar wording will be needed.

6. Supplementary: Licensees

- 6.1. **S70(1)** introduces for the first time that the communication should be understood that a person has a right in a patent. That wording is not present in the current legislation which clearly states a threat may be made by a person *whether or not* the proprietor of, or entitled to any right in, a patent. Under the current law the understanding of the recipient is only relevant to the extent that a threat is understood. The amended legislation thus potentially opens up the possibility of straw man threats on the lines “Bloggs and Co. have a patent and they will sue you”. We suggest that this wording is clarified for all sections.
- 6.2. It is not only the rights owner (i.e, a person with a right IN a patent) which might issue the threat. Licensees (i.e, a person with a right UNDER a patent) may also have rights to bring infringement proceedings.

7. Supplementary: International reach

- 7.1. **S.70F** refers to proceedings in the UPC for delivery up. Both Community Trade Marks and Community Designs may be enforced in a different court and so we presume that similar provisions would be required for each. For example, under **s.2F** there should be added:

(c): “Proceedings in a Court in the EU having jurisdiction under Articles 81, 82, 83 or 90 of the Community Design Regulation for seizure or other remedies under Article 89(1) of that Regulation”.

Similar wording is probably required for Community Trade Marks enforced in a different EU member states.

If we can provide any further assistance in the drafting of this Bill, we should be pleased to do so. We understand that the time table is tight, but will do our best to provide input in the time requested.

**On behalf of CIPA
24 July 2015**