SPECIAL PUBLIC BILL COMMITTEE ON THE INTELLECTUAL PROPERTY (UNJUSTIFIED THREATS) BILL [HL]

Evidence Volume

Contents

Oral and Written Evidence

Oral evidence from Baroness Neville-Rolfe, David Hertzell, Law Commission, and Professor Hector MacQueen, Scottish Law Commission, 13 October 2016 ................................................................. 1
Written evidence from Baroness Neville-Rolfe .............................................................. 28
Written evidence from the Law Commission .................................................................... 32
Supplementary written evidence from David Hertzell, Law Commission ..................... 41
Oral evidence from the Honourable Mr Justice Birss, Judge of the High Court of England and Wales, and of the Patents Court, and the Rt Hon Professor Sir Robin Jacob, former Judge of the Court of Appeal of England and Wales and Sir Hugh Laddie Chair of Intellectual Property Law, University College London, 17 October 2016 ................................................................. 51
Written evidence from Sir Robin Jacob ............................................................................ 74
Supplementary written evidence from Sir Robin Jacob and Justice Birss ..................... 75
Written evidence from the Law Society ........................................................................... 108
Written evidence from the Chartered Institute of Patent Attorneys ............................. 112
Supplementary written evidence from the Law Society .................................................. 118
Further supplementary written evidence from the Law Society .................................. 122
Supplementary written evidence from the Chartered Institute of Patent Attorneys .......... 130
Oral evidence from (I) Chris Oldknow, former chair of the Anti-Counterfeiting Group, and Mark Ridgway, IP Federation; and (II) Diane Hamer, Head of Business & Legal Affairs, Brand Protection, BBC Worldwide, Alexis Hawkes, Head of Intellectual Property, BBC, and Jessica Stretch, IP Counsel, eBay, 31 October 2016 ................................................................. 135
Written evidence from the British Broadcasting Corporation ....................................... 160
Supplementary written evidence from the British Broadcasting Corporation ............... 163
Written evidence from the IP Federation ....................................................................... 166
Written Evidence

Creators’ Rights Alliance ........................................................................................................ 170
Intellectual Property Lawyers’ Association ........................................................................ 171
British Generic Manufacturers Association ........................................................................... 173

Annex A
Proposed amendments from the Chartered Institute of Patent Attorneys......................... 176
Special Public Bill Committee
Intellectual Property (Unjustified Threats) Bill
Corrected oral evidence: Intellectual Property

Thursday 13 October 2016
2.40 pm

Watch the meeting
Members present: Lord Saville of Newdigate (The Chairman); Baroness Bowles of Berkhamsted; Viscount Hanworth; Lord Lucas; Baroness Mobarik; Earl of Shrewsbury; Lord Stevenson of Balmacara; Baroness Wilcox.

Evidence Session No. 1 Heard in Public Questions 1 - 13

Witnesses
I: Baroness Neville-Rolfe; David Hertzell, Law Commission; Professor Hector MacQueen, Scottish Law Commission.

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

3. Members and witnesses are asked to send corrections to the Clerk of the Committee within 7 days of receipt.
Examination of witnesses
Baroness Neville-Rolfe, David Hertzell and Professor Hector MacQueen.

Q1 The Chairman: First, I welcome our witnesses for today, which is this Committee’s first evidence-taking session, and also those attending who are sitting behind. We have today as our three witnesses Baroness Neville-Rolfe, who is of course the Minister of State promoting the Bill, Mr David Hertzell, the Law Commissioner, and Professor Hector MacQueen, who I am grateful has come all the way down from Edinburgh to take part in the session today. You will have in front of you, I think, a list of interests. The rules of the House are such that anyone who has an interest to declare will declare it before speaking to you. We also invite you, if you so wish, to make an introductory statement before we ask you some questions. You have a list of the proposed questions that we are going to put to you, but they are not by any means exclusive and you may well find supplementary or different questions. However, at least to start with, we will be looking at those questions. I start with Baroness Neville-Rolfe. Would you like to make a statement to us?

Baroness Neville-Rolfe: Thank you Mr Chairman. I should perhaps be the first to declare an interest as the Minister of State in charge of the Bill as the Minister of State for Energy and Intellectual Property at the new Department for Business, Energy and Industrial Strategy. A well-functioning IP regime is a vital foundation of economic growth in the UK. IP, I believe, is key to the continued success of our innovative and creative industries. Our party manifesto committed us to making the UK the best place in Europe to innovate, to patent new ideas and to set up and expand a business. For the IP system to help business effectively of course it needs to strike a balance. The law must reward innovators and ensure that their rights can be enforced; at the same time, the threat of IP enforcement must not be abused to stifle new ideas and to distort competition. In the early summer, we had a very useful and positive discussion of this Bill at Second Reading. As I said then, this is a targeted Bill dealing with reform of the IP threats provisions. The Bill addresses the failings of the existing threats provisions by aligning the statute with modern best practice, including the consolidation of current case law.

The Bill introduces these reforms, which were recommended by the Law Commission as a result of a review project which included extensive consultation and review of the draft provisions as they were developed. It takes the special procedure available for reform arising from Law Commission recommendations precisely because it has already been subject to considerable and intense scrutiny from that valuable source. The special procedure is intended to help the progress of uncontroversial law reform, such as this small and specific Bill. I hope that the Committee will join me in assisting it on its way.

The Bill has a narrowly defined scope, and its effect is to substitute new threats provisions for the old ones found within the various Acts
and regulations. For each IP right, there are five main sections, dealing with: the test for what constitutes a threat; which threats are actionable; the safe harbour of permitted communications; remedies and defences; and exemptions for professional advisers. It is considered necessary and overdue by most stakeholders, and it particularly helps smaller businesses, a very important area of the economy, where the cost of enforcing IP rights is a more material matter.

I would very much like to thank, on the record, David Hertzell and Professor Hector MacQueen, and the teams at the Law Commission of England and Wales and the Scottish Law Commission. Their hard work to get to this stage is very much appreciated by me and by the department and brings before us, I believe, a well-constructed Bill, to which we can give appropriate consideration.

David Hertzell: Thank you, Chairman and Lords. I wonder whether it would help if I provided you with just a short summary of the background to this Bill, expanding on some of the things that the Minister said, to include the consultation we carried out at the Law Commission, what that revealed about the problems with the current law, and then a brief outline of what the Bill does. I will also touch on what the Bill does not do, because it is quite a limited and targeted measure.

Unjustified threats is quite a complicated area of law, within an area of law which itself is by no means particularly simple. It might help if I start off with an example of what this is all about. There is probably no better example than going back to the 19th century to the origin of this whole problem. Back in the 19th century, a manufacturer of steam engines came up with the ingenious, if somewhat unethical, idea of writing to his competitor's customers claiming that his patent was being infringed by that competitor. He did not write to the competitor directly; he wrote to the customers. He threatened to sue those customers if they continued to trade with that particular supplier. His name was Mr Brotherhood. In fact, he had no intention of suing anybody at all, and his plan was simply to frighten off the competitor's customers. Even then, intellectual property litigation was hugely expensive, and Mr Brotherhood suspected that the customers would not be prepared to risk it. Even better, back in the day, there was absolutely nothing that his competitor could do about it.

That matters for two reasons. First, because it is clearly unjust: there was nothing that the competitor could do. Secondly, as the Minister says, to support an economy, you need to strike a balance between the rights of those who have intellectual property, who have invested to acquire it, and the rights of those who want to invent and innovate. There is a balance to be struck there, and abusing intellectual property rights in the way that Mr Brotherhood tried to do upsets that balance. Parliament passed the first unjustified threats legislation in 1883, and over the intervening years, similar rights have been added for other intellectual property such as trademarks and designs.

In 2012, the Intellectual Property Office asked the Law Commission to review the law relating to unjustified threats. I will outline the
reasons behind that in a moment, as they were the problems which were also identified by our consultees when we spoke to them in the course of our project, but it might be helpful first if I briefly outline the work that we did at the Law Commission and the way that we approached this particular task.

The intellectual property world is not huge, but it is extremely well informed. Our consultees, whether they were judges, representative bodies or rights-holders, actively engaged with us and expressed very strong views in considerable detail. We got quite a thorough amount of feedback. We established a working group to assist us, drawn from industry, rights-holders and the legal profession, and we were greatly assisted by the Scottish Law Commission and by the IPO itself. We published a consultation paper, a final report and a report on the draft Bill. We spoke at several seminars and held meetings with everybody who expressed an interest in this particular topic. I am very pleased to say that the views which came back to us were largely consistent, and the Bill is very much based on what we were told.

We also asked, at the practical level, whether the issues which affected Mr Brotherhood and Mr Halsey, his competitor, still existed. There is quite a limited amount of statistical evidence in this area, but in very broad terms, we found out that about 80% of intellectual property disputes are resolved relatively quickly and cost-effectively. The remaining 20% go to litigation, and they tend to be extremely expensive. There is not very much middle ground between those two extremes. Of the 20% that go to court, about a third involve some issue of unjustified threats. It is very difficult to know if you receive one of these letters making a threat whether you are going to be in the 80% where things can be resolved very easily or in the 20% where it might be rather bad news. It is not possible to predict that.

The other thing we found was that the majority of disputes involve small and medium-sized businesses on both sides of the divide. What were the problems that our consultation revealed? First, the law on unjustified threats—the original law here—is inconsistent from one right to another. It is an accident of history as to how we arrived here. To navigate the rules successfully requires extensive knowledge or expensive advice. However, the principles behind the various rules are broadly the same, and the variance is, as I say, an accident of history, but it adds to business cost.

The second point our consultees raised relates to primary and secondary actors, as opposed to primary and secondary acts. This is rather complicated, but by way of brief illumination, Mr Halsey—Mr Brotherhood’s competitor—was a primary actor, and manufacturing steam engines is a primary act. His customers and distributors were secondary actors, and retailing Mr Halsey’s engines would have been a secondary act, so more remote than the primary activity. The law, correctly, encourages those connected to particular intellectual property rights to deal directly and litigate issues between them directly, without
the involvement of threats provisions. The threats provisions exist to provide protection for the more distant, secondary activity. That is the reason all this has evolved. The problem is that primary actors, such as manufacturers, may also be involved with secondary acts such as distributing or selling their products—in fact, it is quite likely that they will be. It is natural for rights-holders to refer to all of these activities in a single threat, therefore activating the threat provisions and exposing them to the risk of being sued for making those threats—the so-called Cavity Trays issue. In 2004, the Patents Act was amended to deal with that particular problem. The intention was to extend that protection to other rights, but that has not occurred.

Thirdly, consultees wanted to be able to discuss differences over intellectual property rights in the spirit of the civil procedure rules and without risking an action for unjustified threats. Current law permits the exchange of some basic information but without much guidance, and that leads to convoluted and expensive drafting—Delphic utterances instead of a frank and constructive discussion. Obviously, that provides a clear trap for those unfamiliar with the law or who cannot afford specialist advice.

Fourthly, the way the threats provisions are drafted means that professional advisers who act on their clients’ instructions risk personal liability for making an unjustified threat. That leads to tactical manoeuvring in an attempt to drive a wedge between the client and their adviser. Advisers ask their clients for indemnities against that kind of outcome, and that incurs yet more unnecessary costs.

Finally, in order to establish the jurisdiction of the UK courts, the threat must be currently to sue in a UK court. Given the international nature of intellectual property law, our consultees did not consider that this was the most appropriate factor. For example, a threat to sue in a UK court could occur between two largely foreign companies. Our consultees prefer a test based on whether the infringing act was alleged to have occurred in the UK.

The Bill deals with those five problems. It provides a consistent definition of what constitutes a threat for each of the relevant rights; it extends a solution to the primary act problem from patents to the other rights; it provides a scheme for permitted communications to allow people to have sensible discussions; it sets out a remedy should an unjustified threat be made; it deals with jurisdiction; and it provides a defence for regulated professional advisers acting on their clients’ instructions. The Bill does not seek to address the wider issue of unfair trading. That would require consultation and discussion with a very broad group of affected entities way beyond the intellectual property world. That was not the project that we were asked to do. In fact, our consultees accept that that might, in the longer term, be a sensible suggestion, but they much prefer the certainty of a bird in the hand as opposed to the potential two in the bush.

Finally, the Bill is structured so that its content can be inserted into existing legislation. The order followed is the same for each of the rights.
That inevitably requires a fair amount of repetition and makes the Bill look longer and more complicated than it is—the content runs to about four pages in each case. That is the way that changes have been made to this kind of legislation in the past and, on balance, we came to the view that it was the way to do it on this occasion too. People were familiar with that particular approach and we adopted the same methodology. Unless I can help you with anything else at this stage, I think that is all I need to say.

**Professor Hector MacQueen:** I shall say a very few words to explain my role in this. As has been said, I am a Scottish Law Commissioner but I am also Professor of Private Law at the University of Edinburgh. In that role, intellectual property has been one of my chief research specialisations for many years. Intellectual property laws in general are a United Kingdom matter in which, however, many Scottish-based lawyers practice as specialists. The unjustified threats reform project, which David Hertzell just described, was thus of considerable interest in Scotland. Although the Scottish Law Commission’s other commitments could not justify making it a joint project of the two commissions, it was agreed that I would act as a consultant with special responsibility for ensuring that the work was disseminated among Scottish interests, and that Scottish stakeholders were fully involved in the consultation process. I am pleased to say that this happened. By strange chance, as I came down from Edinburgh by plane this morning I found myself sat next to one of the intellectual property specialists based in Edinburgh, who took the opportunity to brief me fully on the considerable practical difficulties of the present law. I am pleased to say that there is considerable support for this Bill among the relevant Scottish interests. I certainly support it myself. Thank you.

**Q2 The Chairman:** You have in front of you our list of what might properly be described as starter questions. I will start with question 1, which is posed in very general terms. I would not be surprised if Mr Hertzell told us that, if we had bothered to read the report from the commission, we would find the answers to all the issues in question 1. However, I ask the witnesses to describe as briefly as possible in their own terms the problems that the Bill is intended to address and the scale and seriousness of those problems.

**Baroness Neville-Rolfe:** Perhaps I could start, Mr Chairman. Mr Hertzell already partly answered the question, but I see the principal features as follows. The existing provisions do not effectively encourage rights holders to approach the most appropriate part of the supply chain about a potential infringement. They also allow allegations to be brought against legal advisers as a way of disrupting the client-adviser relationship. So then advisers ask clients for indemnity, and that adds additional cost to business. As we heard, the threats provisions also developed in piecemeal fashion across the different IP rights. The result is a complex, inconsistent body of law that is difficult to understand and use. Stakeholders highlighted to us that this has considerable impact on
legal costs and can lead to a sue-first culture, rather than trying to negotiate, settle and move forward.

The second part of your question was on the scale and seriousness of the problems. We established that the threats law is a factor in most IP infringement disputes. Legal advisers must negotiate these complex provisions each time they write a letter to the other side about such a possible infringement. That increases legal costs for rights holders as well as for third parties, whether litigation is to happen or not. Judicial statistics for 2010, which I thought the committee would be interested in, show that 562 IP claims were issued in the High Court in London. It is estimated that 211 cases were affected by the law on unjustified threats. Only a small proportion of cases result in a court judgment. As Mr Hertzell explained, more than 80% settle before a first instance court judgment is obtained. But you could extrapolate the numbers: since we do not see the majority of cases each year, the threats provisions could engage as many as 1,300. To summarise, legal advice is expensive, so we estimate that you could have savings to business of about £1.7 million per year because of a reduction in the number of legal proceedings and in the level of advice required where things take place. I will stop there.

The Chairman: Mr Hertzell, you addressed some of the points raised in the first question. Is there anything else you want to add in relation to it?

David Hertzell: In summary, in one fairly ancient intellectual property case, being sued for intellectual property breach was described as the worst thing that can happen to you after your family dying of influenza. It has always been quite a bad thing to occur if you are on the receiving end of one of these things. It is bound to be expensive because it is an area where specialist legal advice is generally sought. This Bill is an attempt to simplify the process that you will be inevitably drawn into, taking unnecessary costs out of the process. Those costs fall most heavily on those who struggle to afford them: for example, the SME sector, the unsophisticated part of it anyway, who will find it harder within the existing system than they would within the proposed new system.

Professor Hector MacQueen: I have just an observation to add from the conversation with my friend on the plane this morning. She emphasised the difficulty of drafting letters and so on. One interesting point she made was that the common difficulty she experiences is with foreign clients who perceive infringements, or possible infringements, of their intellectual property here in the UK. They come seeking advice and wanting to stop this activity, and then find that first they must think a lot about unjustified threats risk. Apparently, particularly in the United States, people are not accustomed to this sort of approach; they are rather more open and direct. So in that sense, there is a problem, she thinks. She also thinks that it may deter some such clients from taking action in the United Kingdom and rather seek to solve it by litigation elsewhere.

Lord Stevenson of Balmacara: Chairman, you started the questions and I thought you were going to continue. What we have heard is a
helpful and useful approach to what is going on here, but it has not touched on the question we have been looking at; that is, the moral aspects. I wonder if the panel could sketch that out. I understand about the manufacturer of railway trains and the threats, unfair or otherwise, that might come but I am not quite sure where the moral lies in it.

**Baroness Neville-Rolfe:** Let me try. Any IP rights holder can sue another party who they believe is infringing their rights. That is the system. A threat to bring such action where there has been no infringement or where the IP right in question is actually invalid is an unjustified threat. There is no wider moral definition of such a threat, but I think that the threat provisions help and aim to encourage more moral behaviour in this area, allowing rights holders to enforce and gain value from their rights but not to abuse the threat of IP litigation as a way to stifle new ideas and distort competition. I suppose the underlying question here is who is suffering. Obviously there is a risk of becoming embroiled in expensive and disruptive IP litigation. That is going to drive away trade, so unjustified threats are capable of causing significant commercial damage to legitimate businesses. Moreover they do not affect everyone equally, which is perhaps what Lord Stevenson is hinting at. Manufacturers and importers are better placed to determine whether the threat of proceedings is justified because they have invested a lot in production, marketing and so on. They will therefore be more willing to challenge a threat if it is not justified. In contrast the stockist and retailer, or indeed the customer, are unlikely to be able to make such an informed decision about whether a threat to sue is justified and so they are more risk averse, which may lead them simply to stop stocking the product in question. That is unfair and damaging to a legitimate business. It is a potential harm that we are seeking to address and we hope that that will improve behaviour.

**David Hertzell:** Indeed, even back in 1883 the unjustified threats litigation itself basically sought to prevent something that we would call unethical, if not immoral.

**Lord Stevenson of Balmacara:** Unethical might well be the better word. We will come on to this in other questions, but it is unethical unfairness that you seek to attack. It is unfair, or in your terms unethical, for someone who has no justifiable claim to make such a claim, relying on the intricacies and costs that might be thrown at the person from whom they are seeking redress to prevent them actually taking it up. I am trying to encapsulate this, and is that right?

**David Hertzell:** Attacking the distributors and retailers and people who are further away, pretty well by thinking that they will not be prepared to stand up and argue—why should they, if it is not really their fight?—so that they disappear from your competitor is clearly a rather unethical way of doing business. That is on the basis that you, like Mr Brotherhood, had absolutely no intention of suing anyone.

**Lord Stevenson of Balmacara:** I suppose I am being a little facetious about the use of the word “ethics” in business, which is often regarded as
being red in tooth and claw. It is very nice of us to be involved in these matters.

Q3 Baroness Bowles of Berkhamsted: First, I must make a declaration of interests. I am a retired UK and European patent attorney, a former fellow of the Chartered Institute of Patent Attorneys, a former member of the European Patent Institute and a former representative before OHIM, which is now the EUIPO. I ceased active practice for the main part in 2005 but held practising certificates and memberships until 2014, when the patent and trademark practice was sold. My husband still has residual income from that sold-on practice which extends until 2019. I am also a proprietor of a registered trademark. I am sorry about that, but it has to be done.

I have a couple of questions. What we are getting at in ethical and moral terms on where the law is at and where it stays at, as amended by this Bill, is that the unjustified threat is really defined by the criterion of who the recipient is rather than any attitude or intent of the communication. I see people nodding. That is where it differs from what is done in some other countries, where you go to the wider question of the underlying intent and whether it was trying to make it in some way unfairly competitive. We try to get a handle on that by saying, “Anything goes if you are making it and tread more carefully if you are secondary”. Is that a fair summary?

David Hertzell: The basic concept here is the same as the existing law. It does not move into analysing the motives of the threatener.

Baroness Bowles of Berkhamsted: Baroness Neville-Rolfe, I think if I heard you right, you thought that if you make a threat under an invalid patent that that is unjustified. I am not sure whether that is the case unless it is held invalid already. It is a murky area. What are you actually supposed to do if you are threatened with infringement of a patent—or a trademark or design, but more likely a patent—where something has come up since it was granted, so that it is registered? You know that something renders it invalid; more to the point, you know that the person threatening you knows that something has come up which renders it invalid. Is that actually an unjustified threat? I do not think that it qualifies. Perhaps you would like to write to us on that if it is a bit tricky, off the cuff.

Baroness Neville-Rolfe: The Law Commission has obviously looked at these points. Do you want to comment, Mr Hertzell?

David Hertzell: We would have felt that it was an unjustified threat, because you know that you do not have a valid patent but nonetheless still make the threat on the basis that you do.

Baroness Bowles of Berkhamsted: In that case, even if you are the—allegedly infringing—manufacturer and you receive a threat that is not actionable, because you think that it is so out of touch with reality on the validity and scope of the intellectual property right, you can seize the
initiative, take the action to court and become the plaintiff. You could go for an action for non-infringement but could you go for a threats action, because there is a difference in damages?

**David Hertzell:** You have to come within the constraints of the legislation as it is drafted to do anything on any basis, but provided you do, and if the threat is made in circumstances where it is known to be invalid, then that must be an unjustified threat.

**Baroness Bowles of Berkhamsted:** That is interesting. Changing the subject, if I may, this question is important because it came up in the evidence and I do not know where else to bring it up. It is in the evidence that came to this Committee: what do we think is the position of the in-house company legal adviser with regard to the exemption? Do they get it automatically, as part of a contract of employment saying that they are allowed to send these letters, or would they have to prove that they had asked the CEO or company secretary?

**David Hertzell:** Our view on that is that either they have had express instructions from someone within the company or they have a mandate, which I think is the case in some instances, to do that kind of thing if they are protecting their employer's rights. Both of those would fall under the Bill as instructions to do something. We do not think that the phrasing in the Bill means that they have to be told specifically on every occasion; they can be given a mandate.

**Baroness Bowles of Berkhamsted:** A general mandate.

**David Hertzell:** Yes, a general mandate. In fact, there was some discussion of that in the original Explanatory Notes which was taken out, but we think that perhaps for the sake of good order it might be better to put it back in.

**Baroness Bowles of Berkhamsted:** That is a very helpful clarification.

**The Chairman:** Unless anyone else has any questions on our first question, can we move on to the second? Lord Stevenson.

**Q4 Lord Stevenson of Balmacara:** Thank you. The question is on the focus of the Bill. I am fairly conversant with some aspects of the areas of IP that you will be involved with. We are talking, for instance, about how design rights will be helped by this Bill, and I would be interested to know your perception of that. I am struck by the fact that, as I understand it, the Bill does not apply to unregistered design rights, which is of course the main basis under which smaller SMEs operate. I think only 10% of design activity is registered. I am a bit puzzled, given that bigger companies involved in manufacturing are primary and therefore will not be involved, where exactly the benefit will come from. Can you specify in terms of numbers what your evidence shows as to who will be gaining from this?

**David Hertzell:** Most businesses are SMEs. That is true in this area as it is in any other. The cost of this more complex set of rules falls
disproportionately on SMEs because they have to pay for it out of a smaller budget. It means that those who can afford larger legal fees have a certain commercial clout here. Simplification of the rules means not just that it is easier for lawyers to give advice, although that is true, but that it is easier for the IPO to give advice which may be accessed without going through the legal profession. Anything which simplifies things will have a disproportionately beneficial effect on SMEs. That is the intention of this: all will benefit, but SMEs disproportionately.

**Lord Stevenson of Balmacara:** Can we get some numbers and do we have evidence for that?

**David Hertzell:** There is an impact assessment, but I do not know that we go into too much detail about the relationship with SMEs.

**Lord Stevenson of Balmacara:** Can you write to us on that?

**Baroness Neville-Rolfe:** Yes, we will do that. You raised a question about unregistered design rights, which we have not answered either.

**Professor Hector MacQueen:** There is an answer in Clause 5 of the Bill: it does apply to unregistered design rights. There is some discussion of whether it should in the report, but at the critical point it was decided that, precisely because there may well be combinations of registered and unregistered design, it would make no sense to leave unregistered design out of account in this area.

**Lord Stevenson of Balmacara:** Can I push you a little on this? I noted that, but the whole point about unregistered designs is that they not registered. So what gives rise to the certainty of an unfair threat if you do not know what the threat is aimed at?

**Professor Hector MacQueen:** Part of the answer is that unregistered design rights are a very all-encompassing right in almost any aspect of design. The point about registered designs is that they have an exceptional character, which is what justifies registration, but there can be unregistered protection for entirely functional designs other than those which fall into the “must fit and must match” categories—exhaust pipes and things like that. By and large, you can assume unregistered design right unless you are looking at one of these exceptions to the scope.

**Lord Stevenson of Balmacara:** I have not made my question clear. If there is no registration system, what is the person who raises an action raising it against? It is not registered and therefore there is no way to prove infringement or otherwise. It cannot be an unfair threat because it cannot be a fair threat.

**Baroness Neville-Rolfe:** I think that we should reflect on Lord Stevenson’s question. I would say that we are trying to make circumstances better for design rights. As you are probably aware, there is modernisation of registered design rights. We will clarify that. The professor has helped us in terms of what is in the Bill, but it is always difficult when you do not know, which I think is
what you are saying. We will see what we can do. As I said at the
beginning, this is a limited Bill that is revising existing legislation
rather than changing the regime for design rights.

**The Chairman:** It is perfectly clear from the commission’s report and the
other material that some people think that all this is a thoroughly bad
idea.

**Lord Stevenson of Balmacara:** I do not think we take that view yet;
we will decide once we have heard all the evidence.

I may split on this issue with my noble friend here; my previous sparring
partner on the Front Bench, who—I should not say this in public—used to
throw me by quoting poetry. That would completely confuse me. Perhaps,
if we all hold our breath, we will hear some more poetry. We touched on
the question of morality, and the reason we raised it was to tease out
why you have chosen an evolutionary rather than a more radical
proposal. We would like to have your views on that. Everything you have
said today has been couched in terms of levelling up, reducing risk and
helping an existing situation get resolved to the benefit of those who are
currently carrying costs that they should not have to bear. I completely
understand that, but it is based on a sense of equity and fairness that, in
some people’s view—we have evidence on this—would be better served if
you took it to the next stage, which is to look more broadly at the
business ethics within which the IP regime sits so that people have a
broader redress on a wider range of issues.

**David Hertzell:** That is a very good question, and one on which we
consulted. We were not just asking people within the context of
intellectual property, because if you are looking at law on unfair trading
or competition, it stretches much more broadly into the economy as a
whole. That may be sensible to consider in the long term, but this group
of consultees was worried about the five topics that I listed that they felt
were causing difficulty now. Being slightly cynical about it, I think they
reasonably came to the view that it is better to go for a bird in the hand
and sort those issues out than try to go for something much more long-
term, which would inevitably involve a massive project, huge consultation
and many years of work while this situation stayed in the state it is in.
The two things are not mutually exclusive; this is a step and there may
be another one at some stage.

**Lord Stevenson of Balmacara:** Thank you, that is helpful and responds
to my main point. You may not be able to answer this and it may be
directed more at the Minister, but you are the Law Commissions and you
do what Law Commissions do. This point is about a broader and more
ethical approach to business; something that may even end up in an
industrial strategy, should we get ever get one. You would therefore not
necessarily be involved, unless in parts that were appropriate; it would
need to be politically led and is a very a different animal. I look to the
Minister to check whether she agrees with that.
Baroness Neville-Rolfe: As I said at the beginning, there is a case for this relatively narrow measure because threats law is a factor in so many IP infringement disputes. I would like to feel that we could get some common ground on that. The legal guys have to negotiate those provisions every time they write a letter about potential infringement.

I think you are looking at the potential for a tort of unfair trading. Obviously, that would have much wider implications beyond the narrow IP areas that we are looking at today. Businesses might have to negotiate new torts when they wrote business letters. That could actually lead to increased legal costs, and I said at the beginning that an important driver for us in wanting to get this on the statute book was helping SMEs and reducing needless legal costs in the system. Clearly, to have radical reform of that kind, you would need proper consultation, evidence and all the rest of it. Certainly we have had stakeholders who supported our more limited approach. I suppose you might expect it from them, but the British Brands Group said that it had experienced many problems with unfair competition laws that apply elsewhere in Europe, which is perhaps the model you are hypothesising. Unfair competition challenges are routinely deployed there with the aim of disrupting product launches, for example. That is an example of the wider issues that could result, which is why we would be wary of moving in short time into that sort of area.

As I said at the beginning, we are a new department, we are embracing a new industrial strategy and we look forward to proposals. You are right that it will have many aspects and one is being good for all in society, including consumers. It is important in this sort of area, which can have quite wide effects if you do not think about it carefully, to be evidence-based and consult properly, and I very much value the methodical and serious approach of the Law Commission in bringing something like this forward for us.

Baroness Bowles of Berkhamsted: Can I jump in? I think this question follows on from what you have been saying. You said it was not either/or, and in fact if you add up the people who said yes to a wider tort there are more of those than said no. In fact it was all the professionals—the judges and people like that—who said that the wider tort was needed. There were two very interesting submissions that said, and I am paraphrasing now, “You don’t have to go as wide as a universal tort that would apply across all of business and therefore require this rather massive consultation. You could have gone for some of the aspects of a tort within sectoral legislation—the intellectual property legislation”. That is actually what is in the Paris convention, which is broadly about intellectual property although it is called “industrial property” because that is what they called it back then. Was that halfway position considered at all?

David Hertzell: The straight answer to that is yes, it was, but let us go back. In terms of coming up with something, it was not that the consultees were jumping one way or the other on what should be done in the bigger picture; they were jumping one way or the other in
terms of timing. The vast majority of them wanted to sort these problems out now because they felt that was an achievable goal, and to discuss all the other things at a later date. You are right, they did not all think everything had to be done right across the whole economy. Some did, some did not, so there was not necessarily a consensus on what the thing would look like if we went down a particular road. The only consensus we really had was to deal with these things now as an evolution of the existing law.

Viscount Hanworth: Was there a proposal to include copyright?

David Hertzell: We did not include copyright.

Viscount Hanworth: No, you did not. Did anyone propose that you should?

David Hertzell: Copyright came up, although we were not asked to look at it. Copyright has its own issues and to some extent a different audience, and that particular set of rights has a longer period. It was not a project we were asked to look at, and if we had considered it generally it would have been a different piece of work. There is no unjustified threats provision.

Viscount Hanworth: There is a lot of commonality between these issues and intellectual property, I would have thought.

David Hertzell: There is no unjustified threats provision within copyright as we currently stand. Whether there should be is a different debate, but that is not one that we were being asked to look at.

Professor Hector MacQueen: Can I make one comment on the unfair competition points? It has a lot of attractions in general but one of the detractions, if you like, is the idea that your competitive activity is regulated by your competitors and by litigation. That is not necessarily desirable and one might end up needing an action against abuse of unfair competition laws to, as it were, guard against the possibility of anti-competitive litigation based on unfair competition. So there are lots of issues that need to be addressed. On the whole I think I favour an unfair competition law in general, but on this particular issue we had a specific problem to deal with and it was better to focus on dealing with it. On the copyright question, there has not been any evidence of unfair threats. I see in the evidence submitted to you that there is a brief note from the Creators’ Rights Alliance, which I think is really directed towards copyright questions. They do not have anything specific in their note on that topic at all, so we need some more evidence of what is happening on the ground before we even start to think that there is a problem here needing to be addressed.

Viscount Hanworth: I could offer you an example.

Professor Hector MacQueen: Good.

The Chairman: I would like to come back on that last point. Are there plans for more radical reform?
**Baroness Neville-Rolfe:** I think the answer is not at the moment. With regard to copyright, I agree with Professor MacQueen that we would need robust evidence before embarking on changes in this area. It is a different sort of property right that lasts much longer, and it has its own legislation that some of us who debate IP on the floor of the House are well acquainted with.

**Professor Hector MacQueen:** And there is an issue about registration, or rather the lack of it. If there is validity in that observation relating to the unregistered design right, it applies even more forcefully to copyright.

**Baroness Bowles of Berkhamsted:** Sorry, did you answer that merely in terms of not wanting to go looking at copyright, or is it that you do not want to go looking at the wider tort?

**Baroness Neville-Rolfe:** I think I said earlier that we were not planning to.

**Baroness Bowles of Berkhamsted:** You were?

**Baroness Neville-Rolfe:** We were not, for the reasons I stated.

**The Chairman:** Having said that, am I right in understanding that this evolutionary model we are looking at, the Bill, is indeed an evolution but is not the final step?

**David Hertzell:** I suppose there is no such thing as a final step in these things; they always evolve. It is the final step as far as this project goes; the Bill that comes out of it will be the end. Whether the Law Commission or any other body is instructed at some point in future to look at the wider issues, such as copyright, is not for us to say.

**Baroness Neville-Rolfe:** We felt that this was an appropriate area to improve that we could put through Parliament in this often contentious area of IP and get some real benefits for industry and for our SMEs in particular. I do not think we have the evidence base to embark on something fundamental at this point, but obviously in government you never say never.

**The Chairman:** We can move on to Question 4, which I shall read out: “What will the Bill do to encourage parties to settle the issue without court procedures?”

**Q6**

**Baroness Bowles of Berkhamsted:** You have given some indication of what happens. We know from court records that most cases get settled, but an awful lot of cases never get that far and in many of them the recipient is an SME. They give up because they have not got the possibility of taking on a larger entity. They may do that even if they have a good defence; they just cannot afford it so they give in to bullying and never get as far as saying, “Well, can I have a licence?”, or anything like that. In one of your documents you suggest that the permitted communications could also help in the direction of going to resolution and following the court procedural rules to try to negotiate. I wonder if you
can elaborate further on how you thought that was going to happen when, apart from saying you cannot threaten in those extra communications, there is nothing in this that says you have to make an attempt. Some countries have that as a requirement. For instance, it has been very successful in Australia, where you have to demonstrate to the court the efforts that have been made towards negotiations before you can actually file for your action. It seems a golden opportunity to incorporate some of those, given what we have in court procedure rules anyway. Maybe you would need a bit of policy oomph. What is underlying this question is: can you just rely on the court to give you that push, or does it require an actual push in policy terms from the legislature?

Baroness Neville-Rolfe: Let me try to answer that first and then perhaps Mr Hertzell will talk about the Australian experience, which I am not entirely familiar with. I see the provisions as part of a wider toolkit. We have heard from users that the reform will help resolve disputes without going to litigation, and they particularly welcomed the permitted communication clause and the clarity and consistency between different IP rights. It is a clearer framework, with more certainty about what approaches can legitimately be made to a potential infringer, and what information can be exchanged, so it is easier for parties in dispute to negotiate a settlement in accordance with the pre-action protocols of the Civil Procedure Rules, which you mentioned. The IPLA agrees that the Bill fits with the overriding objective of the Civil Procedure Rules that court disputes are resolved quickly and as fairly as possible.

The second thing that I should probably mention is the ADR measures, such as mediation, which we also touched on at Second Reading. Obviously, European legislation, including the directive on consumer ADR, and services, such as the European online dispute resolution platform, makes ADR a central element of providing quick and proportionate settlement of disputes. So while the courts cannot mandate the use of ADR, parties are required to consider the option to exchange sufficient information to assess its viability before going to court. I see that as in keeping with the Government’s broader aims of improving access to justice at proportionate cost, which is a point that I keep coming back to. I am not aware of what the Australians have done in relation to the courts, which may be interesting to discuss.

David Hertzell: I am no expert on Australia, but in my previous life as a litigation lawyer one was very heavily pushed towards ADR on virtually everything that one did—and quite rightly so. Normally, the way that these things are dealt with is rather than having something specified in primary legislation, which is very difficult to change and can get ossified without great care, the court procedure rules and the various things that go around those, such as the protocols, try to deal with moving disputes through without incurring a lot of costs. This piece of legislation tries to provide a framework in which there can be discussions about the threat without necessarily triggering litigation, so it has made life better from that point of view. But if you wanted to formalise an express ADR arrangement, you would need to
approach it through the court rules and the courts themselves, rather than through this. In fact, I believe that there is some desire to have a new kind of intellectual property pre-action protocol, which might assist. Those discussions are going on outside of this legislation.

**Professor Hector MacQueen:** Perhaps I might comment from a Scottish point of view. We have just completed a fairly major overhaul of the civil courts structure, which was designed to push disputes up or down the hierarchy in accordance with their value, importance, significance, and so on. There is nothing comparable to the Civil Procedure Rules, but there is a huge volume of civil procedure which the court itself does and has recently overhauled. My understanding is that the current head of the system, the Lord President, will take these sorts of things very seriously in his time in office. There is room to go further—England and Wales are much more advanced than Scotland in these matters, but there is an opportunity to influence the way in which the Scottish courts are thinking about these things. There has probably never been a riper opportunity to do that.

**Baroness Bowles of Berkhamsted:** So it remains optional still, in the sense that the courts can make rules, but you are not saying that it is compulsory and that that has to be done. So the aggressive litigator can still go and get their writ and frighten their competitors to death, because they think that they can go in for a quick bully and kill.

**David Hertzell:** They can, but if it leads to a court dispute, the courts will look at that kind of behaviour when allocating costs.

**Baroness Bowles of Berkhamsted:** I accept that sometimes these tactics are used deliberately, never intending to get to a full hearing. The rather abusive tactic of rushing to get the writ out, which frightens most people, and then using all the delaying tactics until the other people give up remains available, unless you force some kind of negotiation. I guess they shilly-shally around in that, too.

**David Hertzell:** It takes two to tango, so even if you force them to go to ADR, it does not necessarily produce very much.

**Baroness Neville-Rolfe:** One extra thing that I would draw attention to from my experience of ministerial correspondence is the fact that the Intellectual Property Office has been rather good as an agency in being proactive and helping business, especially small businesses. It offers an opinion service for patents, which helps with resolution of disputes, and it made changes to its mediation service in March 2013. It sees outreach to small businesses on these sorts of issues as part of its mission, which I certainly encourage. I think that that all helps and may be a better way forward than trying to make a major change to the Law Commission Bill. That would be how I see it. You are right that we should try to encourage ways of making sure that there is no unfair bullying, but that can be done in different ways.

**Baroness Bowles of Berkhamsted:** On a point of information, do we
allow trade associations to bring forward cases or threats actions on behalf of their members? That is allowed in some countries and is referenced in the Paris convention. It is an option if it fits in with the law of the country—and I confess that I do not know about that, but it might be something to try to find out.

**David Hertzell:** We probably need to respond with a bit of research on that. You can bring representative actions and you can certainly bring class actions within the rules that exist, but I am not sure about the necessary framework.

**Baroness Bowles of Berkhamsted:** Maybe no one has done it yet.

**Professor Hector MacQueen:** There have been examples in some areas of intellectual property, such as passing off. For example, the Scotch Whisky Association does not itself usually raise actions, although it is taking action on alcohol pricing in Scotland at the moment. When it comes to passing off claims, it usually finds a representative member or members to raise the action. That is how it usually goes forward.

**Baroness Bowles of Berkhamsted:** But it is assisting?

**Professor Hector MacQueen:** Yes, very much so.

**The Chairman:** What will this Bill do to prevent overaggressive tactics being used by legal advisers? What about the problem of threateners, or their legal advisers, acting in bad faith?

**David Hertzell:** The Bill gives some form of defence to legal advisers, but only provided that they comply with the requirements—so if they step outside that and are not acting on their client’s instructions or are going beyond those instructions, they will be exposed for making a threat, as they currently are. So there is a deterrent around that. Obviously, they have to comply with the provisions of the Bill, generally, and when the threat goes outside that; on any basis, it would lead to liability. They have to notify the party threatened of the identity of their client when they are acting on their client’s instructions. So it is a limited defence. We also require an adviser if they are going to rely on that defence to be a professional adviser in a regulated structure.

**The Chairman:** This is really part and parcel of our sixth question, so we shall deal with them together. How much confidence do you have in the disciplinary provisions of the regulatory bodies for relevant legal advisers? Can you provide us with any statistics on the level of disciplinary action being taken by those bodies? The relevance of that question, of course, lies in the fact that the Bill provides legal advisers with a large measure of protection, but at the same time there is concern. Therefore, the question of regulatory bodies and the functions that they perform in this context becomes very important.

**David Hertzell:** We can give statistics on, for example, what the SRA does to discipline its members because it publishes them, so they are available and we can make them available to you. By definition, because
this is new, or will be new, those will not apply to this sort of activity. However, the SRA does take disciplinary action against solicitors who fall outside acceptable professional practice.

 Baroness Neville-Rolfe: I would add that the Law Society is due to give evidence to the committee, so this will be a fruitful area of discussion. Obviously, it is only in rare circumstances that such action is necessary. According to my briefing, the Solicitors Regulation Authority publishes information about the enforcement decisions in its favour in the annual report. The most recent quarterly report is from 2014, so maybe we can get some more up-to-date figures from them. In the last quarter of that year, 11 individuals were struck off from the roll. That suggests that there is disciplinary activity, but of course it does not necessarily relate to this particular area. But the Law Society or the CIPA will be able to provide more assistance with regard to the work. We have no reason to believe that these bodies do not take action in the event of misconduct. Frankly, that is what I would expect them to do. However, perhaps we could come back to that area at a future evidence session.

 The Chairman: Speaking personally, I think that we should come back to it. If their legal advisers are to be relieved of legal liability, the regulatory bodies have got to think very carefully about the limits they will impose on the conduct of legal advisers, otherwise the legal adviser will simply say, “Parliament has said that we are not liable, so why are you worried?“. That cannot be right. If on reflection any of you would like to tell us anything further in writing, that will be fine, but we will certainly explore this with the Law Society and others. Again, speaking for myself, it is an important point in view of the change of status if this Bill is accepted by the House in excusing legal advisers from liability.

 David Hertzell: Just as a point of clarification, they remain liable; they are not liable only in certain circumstances. They have to comply with the provisions of the Act not to be, otherwise the liability remains.

 The Chairman: That is so, but even then, there may be a set of circumstances where they can rely on the excluding liability provisions but at the same time would be said by the ordinary person in the street not to be behaving very well at all.

 Baroness Neville-Rolfe: I would find it valuable to discuss this further with them. Obviously, you need to work out who ends up paying. If in fact it has a perverse effect, we would want to understand that as well. If it just passed on from the adviser, that will be a problem. If we could come back to that, I would be as interested as any member of the committee to hear the answer to the question.

 Baroness Bowles of Berkhamsted: If fines can be imposed; for example, £2,000 for excessively aggressive conduct, that is different. If you exceed your client’s instructions, you are back with liability. If you have agreed with your client, who has given you carte blanche, saying, “Be as bullying, horrible and nasty as you can”, which is a commercial decision, and your fine is £2,000, they might think, “That’s good
money’s-worth”. The client will pay your fine and for £2,000 you can close somebody down, which is worth an awful lot more than £2,000 if you had to pay some kind of damages. If you cannot rely on there being something that makes sure that the exempted advisers have those greater restraints on them, you might as well open it up to all advisers, because there are some who do a good job but who may be excluded from this exemption, especially when you start to look at the way technical organisations trawl the internet to find infringing products and send out relatively automated notices and that kind of thing. We intend to look a bit more at that area. Some of those advisers have made representation, saying, “Why can’t we be exempted?” The answer is: they are not regulated. There is also research, admittedly done in the context of banking, which showed that people who were deemed to be professional actually behaved worse than those that were not. “I do not have to care” is a badge of integrity. We have to make sure that it really means something.

**Baroness Neville-Rolfe:** I think we are talking about solicitors; there is a disciplinary system, and we need to hear from them, so it is not exactly the same as the bankers.

**Lord Lucas:** Not exactly; looking at copyright, it is very slow and reluctant to pick up on bad conduct, so it would not be good to give people exemptions on the basis of what the SRA does.

**David Hertzell:** I dealt with the SRA in a different context entirely. There is an issue around the SRA’s powers, which is being considered elsewhere. It is a fair point to raise that it is sometimes quite hamstrung in dealing with some of these things.

**Baroness Neville-Rolfe:** Perhaps we can hear from it about that. Sorry—I am meant to be answering the questions today! That would be good.

**The Chairman:** I think we can move on to the next question. Lady Bowles, this is something, if I may respectfully say so, that is right up your street. If you do not mind reading out the question for the benefit of those who do not have the list, we can move on to question 7.

**Baroness Bowles of Berkhamsted:** This is about the Paris convention. After this Bill has been implemented, how compliant will the UK be with the Paris Convention for the Protection of Industrial Property, to which the UK is a signatory? This is not an out of the blue question, because in consultation evidence was taken and various quite notable people, such as judges and others like that, said that of course the UK has never fully complied with the Paris convention. We approximated to it because we already had our own laws. However, as we make more and more exemptions, in fact we are getting further and further away from an approximation of the Paris convention. Would you like to comment on how you feel about that in particular? Is this it for now in terms of reform of this area?
Baroness Neville-Rolfe: The UK is a signatory and we will remain compliant if the Bill passes through this House. For more than 100 years compliance in this country has been achieved through a patchwork of different laws and protections, and that will remain the case. The protection provided by the law of unjustified threats is only one part of that. The increased clarity provided by these changes makes protection more effective and easier to understand. The provisions continue to protect those at risk from this type of unfair practice while allowing rights-holders to enforce their rights legitimately and, as we have just been discussing, to encourage a settlement without the need to resort to litigation. The permitted communications provisions in particular replace and clarify the current inconsistent exceptions. That change supports the Paris obligation to protect against unfair competition by restricting permitted communications to a limited number of purposes that are aimed at the early exchange of relevant information, and it is in order to settle disputes and avoid litigation. Therefore the ability to make an approach in relation to primary acts of infringement without risking the threat of action already exists. I believe that the new provisions increase clarity and consistency and therefore that the UK will remain compliant. I acknowledge that this is an interesting area.

Baroness Bowles of Berkhamsted: I would dispute “remain”—we never have been compliant—but we remain at least where we were, you think. It is a reason. As we get more of these letters—the permitted correspondence—sent to retailers and the like, there are ways that can be done which are not a threat on the face of it, but because it comes from a very important organisation and/or important lawyers, or probably both, and can be carefully crafted, there will be scares and bullying that would previously have been actionable, probably justifiably rather than accidentally. We are trying to solve triggering the threats actions accidentally, but there is a reason for them to be there.

To come back to the previous question about professional conduct and so forth, being aggressive and close to the edge is seen as a selling point, not a demerit. We have seen that in other areas, whether it be tax planning or whatever. There is a problem that we could find we are further away. Obviously, it will be monitored by the courts because they can extend the provisions. Would there be any possibility to indicate that the court could become a lot more prescriptive or retract the provisions if something like that was taken as a way further away from compliance?

David Hertzell: The truth is that I do not know. The courts tend to have training programmes for judges that are run in this area as in any other. It might be a question best directed to the judges you will be seeing.

Baroness Bowles of Berkhamsted: Would you be reluctant to see that if the judges thought it was a good idea?

David Hertzell: If the judges think that something should be done because there is a problem with the way the law is working—as they did in this context, which is why they thought it was good to change it—one should listen to them because they are at the sharp end of disputes.
**Baroness Neville-Rolfe:** Our overall objective is to try to reduce unfair and unmerited practice, as we said at the beginning. To some extent, that is what we need to hold on to here.

**Baroness Bowles of Berkhamsted:** They are best-laid plans.

**Baroness Neville-Rolfe:** Try government.

**The Chairman:** We can move on to the next question, which Lady Wilcox is going to put. Could you read it out?

Q10 **Baroness Wilcox:** I will read it out, of course. I listened to Baroness Bowles listing other things she had done in the area. I do not know whether we were supposed to list things that we had done before or just the things we are doing now. If it is something we did before, I was the Minister for Intellectual Property before Baroness Neville-Rolfe was, and I am also someone with a small business who got a telephone call one day saying, “We think you’ve got something that’s ours”. I have an emotional attachment to this piece of work. Here is the question: does the Bill need to be amended following the decision that the United Kingdom should leave the European Union? The unitary patent is, of course, an instrument of EU law.

**Baroness Neville-Rolfe:** The short answer, Lady Wilcox, is no. Perhaps I can explain why. The Bill does not take forward EU obligations; it applies to current EU-wide IP rights, so EU trademark and design rights are the ones that are EU in origin. It ensures that the threats regime is consistent across all the relevant rights that exist here in the UK. This is important, since as long as the UK remains a member of the EU, the EU-wide rights continue to be valid in the UK. For these reasons, I do not think there is a need to amend the Bill in the event of Brexit, but clearly we are not having a running commentary in relation to Brexit, as you will know well. The Bill ensures that the threats regime would be compatible with the proposed unitary patent and unified patent court. The proposed reference to them is to enable a technical change in relation to threats, which would need to be brought into force only if and when the unitary patent and UPC come into effect. The Bill does not require the UP and the UPC to go ahead. That is a question being determined separately and we are looking at the exact arrangements for that at the moment, as I am sure you know.

**Baroness Bowles of Berkhamsted:** That is broadly right in the sense it is drafted in what one might call a sunrise sense: if the unitary patent court gets up and running, which needs us to ratify it for it to happen. If we never ratify it, that whole thing would have to be revisited. You might be able to tweak it a little bit where it says “for if it ever affected us”, or something. Broadly, the bits that relate to it will just die if that part of our involvement is not part of our subsequent Brexit agreement.

**Professor Hector MacQueen:** There is a kind of precedent. Back in 1977, when the Patents Act that we have now came into force, it had a very large chunk devoted to the Community Patent Convention, to which the then member states had agreed in 1975. I am not sure whether it
was ever formally repealed—it is probably still there—but the Community Patent Convention has never come into effect and would essentially be replaced by the unified patent court. We need not trouble ourselves about trying to, as it were, de-futureproof this Bill. There is an argument from the world of IP for the UK to remain part of the UPC, whether or not it is a member of the European Union. There are differing opinions on whether or not that is legally possible. There is a debate, which you can join if you want to, on the internet at the moment.

**The Chairman:** I gather from all that, whether Brexit means Brexit or however you want to put it, that nobody can see any reason for amending the Bill as it presents itself to us today. I will move on to the next question, which is: how does this Bill differ from the draft Bill published by the Law Commission in October 2015, and what is the reason for the differences?

**David Hertzell:** Drafting. There is no difference in the substance. There is some slight difference in the way things are expressed and ordered. If you want to see a schedule of those with the differences highlighted we can provide it, but there is nothing of any great substance.

**The Chairman:** Speaking for myself, some short-form schedule, showing us in the shortest possible form what the differences were, would be very helpful.

**Baroness Neville-Rolfe:** We can certainly provide that.

**The Chairman:** Thank you very much. We are getting on quite well, which the Minister will be pleased about, since we have a deadline of 4.30 pm, but we are doing very well at the moment. I have Viscount Hanworth’s name down as leading the next question.

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?

**Viscount Hanworth:** I am a professor of the University of Leicester, but since copyright does not fall within the ambit of the Bill this is not a relevant interest to declare. I wonder whether I should read out the text here, or whether I can afford to precis it, or at least deal with it in a different way. I think I prefer to do the latter.

**The Chairman:** Well, do, but if I may interrupt you, could you first, for the benefit of the people listening to us, read out the question?
allow disputes to happen between primary parties without the involvement of threats. The threats provisions were there really to protect secondary activities. If we had changed that so that the whole thing was opened up completely, it would have been a very different piece of law. There was no desire from any of our consultees for that to happen.

**Viscount Hanworth:** The leading question was whether the distinction is working well. In fell into disrepair in consequence of the Cavity Trays judgment, and it required legislation to put that back in order through the Patents Act 2004. Are we in a good place now or is it still a bit ropy, as some people suggest?

**David Hertzell:** I think that we are in a very good place now, which is why we are suggesting that you take the Cavity Trays solution from the Patents Act and apply it across.

**Viscount Hanworth:** That has already been enacted.

**David Hertzell:** It has but only for patents, not for the other—

**Viscount Hanworth:** Not for the other rights—not for trade marks and so on. Do you believe that we will have arrived at a good place when all that is settled by this Bill?

**David Hertzell:** The consultees—I base my response on what they said about that—felt that we would arrive at a more satisfactory place. Whether or not it is the ultimate solution probably depends on the way that things develop over time.

**Viscount Hanworth:** I have just been reading something that we received as evidence today, and I have extracted a phrase. This is from an association of manufacturers of generic medicines, which are medicines produced after the patent has lapsed. I am not sure how long a medical patent lasts but maybe you can tell me. It says, “We don’t question a patent-holder’s right to make specific healthcare professionals aware that a patent exists, but we would argue that this should be to those prescribing medicines, as they know why their patient is receiving the product, not to the dispenser”. That is arguing that a coach and horses should be driven through the distinction between primary and secondary infringers. Maybe it has good reason for doing so, but I do not know what the reaction would be.

**David Hertzell:** Overall, its response, if I remember it correctly, was that what was being suggested was satisfactory and it was happy with the Bill. In fact, if I remember rightly, it was quite supportive of this draft legislation.

**Viscount Hanworth:** Indeed, but this rather refutes what it was saying in the first part of the evidence, which I see you have read.

**David Hertzell:** I do not know why it raised that particular point.
Viscount Hanworth: It just suggests to me that perhaps the distinction is not as firm and as clear as it should be, or maybe one has to deal with this matter on a case-by-case basis.

David Hertzell: I think that that is right, and I suspect that as time goes on the distinction between manufacturing and distribution may well change. People become much more involved with a range of activities as the economy develops. I was looking at some recent evidence about trading online and that in fact is what is occurring.

Viscount Hanworth: That is one of Lord Lucas’s interests. Medicaments are purchased online from China, where there is no patent law, and it is very difficult to bring them to book for infringing patents. But what on earth does one do?

David Hertzell: It is an argument for keeping these things under review as time goes on. I would agree with that.

Baroness Neville-Rolfe: Perhaps we should make sure that we look at the evidence that you have referred to. I do not remember that particular point, but I will come back to you on it. Presumably—this is my own view—sometimes you are a manufacturer and sometimes you are a retailer and you are the same person, but you have a manufacturer’s hat when you are being a manufacturer and a retailer’s hat when you are being a retailer.

Viscount Hanworth: Yes, sometimes the coverture is the issue.

Baroness Neville-Rolfe: As I understand it, we are applying that across the Bill, which to me seems to be the right approach. But if we have missed something—

Viscount Hanworth: Trade marks or whatever—

Baroness Neville-Rolfe: Perhaps we can take a look at the generics submission and make sure that we have understood it properly.

Baroness Bowles of Berkhamsted: Thinking about it, I can see that what they are saying is that they would not like the permitted notices because the dispenser is the retailer so he is secondary anyway, but rather than send out the permitted notices or communications to the retailer, they are saying they think it is more appropriate to send it out to the doctor who is prescribing. I am not sure what the prescriber is; they are neither primary nor secondary. They are in a kind of limbo, so that may be something interesting to think about.

Viscount Hanworth: They are at the very end of the chain.

Baroness Bowles of Berkhamsted: They are an enabler of it in the sense that they are writing down. It would be very interesting to see why they say that but I can think of some reasons. It might just be seen as a push back generically against generics rather than against a specific generic.
Viscount Hanworth: Thank you. Somebody will pursue that, I suppose.

The Chairman: Lord Lucas has raised another important point that should have been part of the list of questions that Susannah and I prepared, and that concerns trading on the internet. Would you like to pick up that point?

Q12 Lord Lucas: I am the owner of a trademark that is quite widely used on the internet and which I have frequently had to defend with entirely justified threats. In evidence to us, both the BBC and the Chartered Institute of Patent Attorneys have raised questions about whether this Bill actually works, given the way in which the internet works, partly because it can be extremely difficult to know who the primary person is, and sometimes because the mark is being used as a way of selling something. It may not actually be on the goods at all but it is just being used by the retailer to convince people to conduct the trade. I am interested in your views on whether the Bill covers this and, if not, what might be done.

David Hertzell: The principles of the Bill do cover internet trading as well as physical trading. You are right, I think this was raised by CIPA in particular as to whether we had meant only physical when actually this should apply also to electronic. We did not mean that. We wanted one to include the other. When we said affix, we did not mean that someone had to come along and physically stamp something on a thing at all; we just meant to attach it. Having reflected on the CIPA response, we think it might be something that could usefully be explained in the Explanatory Notes. Counsel, when they turn to their drafting, are very careful about the whole being contained within a phrase rather than trying to articulate the thing in too much detail. But if we can put it into the Explanatory Notes that we intend the wording of the Bill to include both physical and electronic, that may answer that concern.

Lord Lucas: On the other question, a lot of these trades are being conducted by people who are quite clearly not the producer of the goods, but the producer of the goods may be entirely impossible to discover. Are you not then allowed to threaten action at all?

David Hertzell: No, there is a provision that if you cannot trace the primary source, then you can threaten action.

Lord Lucas: But then you have the difficulty that the forms you are allowed to use via the platforms that are being used such as eBay and Amazon Marketplace do not allow that kind of communication.

David Hertzell: If the law is changed, then they will have to comply, I assume, or one would hope, with the law as it is.

Lord Lucas: So we would have to bite on eBay and Amazon in terms of having to provide for these subsequent communications, which does not appear to be in the Bill at the moment.

Viscount Hanworth: You, or rather the others, would have to take reasonable steps to provide for that—or the supplier; I am not quite sure.
**Professor Hector MacQueen:** Perhaps another point is that obviously the unjustified threats regime is linked to the infringement regime of the various intellectual property rights. It is not a totally satisfactory link in my view but I think the problem lies on the side of the infringement definitions in the various forms of intellectual property. It may be with your particular trademark example that some of the language—“affixing” is a good example—has been around the trademarks legislation for a hundred years or more and it probably should be looked at again at some point. Who knows? Brexit may provide an opportunity to review the Trade Marks Act 1994.

**Baroness Neville-Rolfe:** No ongoing commentary! Thank you for raising those points. We obviously need to reflect further. I think the intention is where you want it to be in terms of the coverage. I think you were asking questions about that. We will have a think about that.

**Lord Lucas:** The BBC and the CIPA have put that quite clearly in their evidence, so if there are written responses to that it would be very good to have them.

**Q13 The Chairman:** Thank you for that. At the end of our list of questions we asked the witness to consider the written evidence that has been received and published by the Committee, and any suggestions made for possible changes to the Bill. In view of the fact that it is coming up to 20 past four, I should say that one of the changes in mind—I think from the Law Society—is the suggestion that we drop the word “solely”. You may feel, as I do, that it might be better to respond to those suggestions in writing as to whether you are persuaded by the arguments or whether you think that the Bill as drafted should remain in its present form. On behalf of the Committee, I ask you to consider these proposed changes—there may be more coming in in the next day or two—and provide us with a written answer. We would find that very useful.

**Lord Lucas:** I add to that the points that the CIPA makes about pending patents and pending trademarks and the generic manufacturers’ question about “reasonable”, which is a perennial subject in House of Lords debates, as my colleagues will know. I would be interested to have a response to those two issues.

**Baroness Neville-Rolfe:** We would be happy to provide a memorandum on these various drafting suggestions so as to try to move things forward and reduce discussion in later sessions to the key points, of course.

**The Chairman:** It remains for me on behalf of the committee to thank the three of you very much indeed for providing answers to these questions and assisting us very greatly in our task. Again, I particularly wish to thank Professor MacQueen for coming all the way down from Edinburgh to assist in the work of this Committee. I thank all three of you very much indeed.
Letter to the Committee from Baroness Neville-Rolfe - Minister for Intellectual Property, Department for Business, Energy & Industrial Strategy

24 October 2016

Intellectual Property (Unjustified Threats) Bill: points arising at SPBC evidence session 1

During the first evidence session of the Special Public Bill Committee you asked if I would provide further information on a number of topics that arose during discussions, as set out below. I understand that the Law Commission also plans to write in their own capacity to cover some of the detailed issues particularly addressed to them and they will also provide a summary of the small differences between the Bill as published by them in 2015 and the Bill as introduced.

Application to unregistered design rights

The Committee asked me to send further information on the application of the Bill to unregistered design rights. I think it is important to note that unregistered design rights are already covered by the existing threats provisions, and so including them in the Bill presents no great change in this area.

Unregistered design rights often run together with a registered design, in that the unregistered right spontaneously arises as the design is formulated, whether or not it is then registered. It is right that the threats provision covers both types of design right, as they are complimentary and hard to separate. It would not in my view make sense if the threats provisions prevented approaches being made to the supply chain regarding registered rights only, but allowed such approaches to be made freely for unregistered design rights, which will (at least early in the shelf life) exist in the same product.

The unregistered design right covers the shape and appearance of a product. It gives the right to prevent unauthorised copying in the UK (for 15 years, UK unregistered design right) or EU (for 3 years, Unregistered Community Designs). As the protection relates to copying, the similarity to the protected design is usually very clear — through the appearance of the whole or part of a product. For example, in a letter of notification it is quite straightforward for a rights-owning business to identify their own product, by product number or name, in reference to the catalogue or sales material, and also to identify the product that is considered a copy through similar means. I do not, therefore, consider that the unregistered nature of the design right presents particular problems in this respect.

Benefits of the reforms to SMEs

Lord Stevenson asked about the benefits of the proposed changes particularly in terms of their impact on small and medium-sized businesses.

As the Committee is aware, the problem with the existing provisions is that they are unclear, inconsistent and do not allow proper pre-litigation talks. The measures in this Bill seek to resolve these issues, making it easier and cheaper for all parties, whatever their size, to negotiate a settlement and avoid litigation. This particularly benefits SMEs who are disproportionately affected by the costs of obtaining specialist legal advice. The Federation of Small Businesses have been supportive of the Bill for this reason.

In addition, as the Committee has heard, businesses often have to indemnify their legal adviser because the adviser is personally liable for any actionable threats made. Industry figures say this is a particular worry for small businesses and makes them reluctant to take the
necessary steps to tackle alleged infringers. Introducing the exemption for professional advisers therefore particularly helps save costs for SMEs who are enforcing their IP rights. The Law Society pick up on this point, and agree, in their written evidence to the Committee.

As indicated in the Impact Assessment the best estimate of the likely savings to rights holders will be £659,500 per year as a result of cheaper pre-action legal advice. In addition it is estimated £1 million a year will be saved as a result of cases being resolved informally rather than being taken to court. The benefits will be felt across businesses of all sizes, though the impact will be greater for small businesses, who are particularly sensitive to legal costs. It is also worth noting that since around 90% of businesses are SMEs they will reap the benefit of the majority of these savings.

The total benefit of these reforms for SMEs is difficult to quantify since the cost savings will differ on a case by case basis and there are many factors involved. Nevertheless the anecdotal evidence gathered by the Law Commission is highly persuasive of the benefits to be seen by SMEs. This evidence is summarised with direct quotes from stakeholders at paragraphs 9.28 and 9.57 of the Law Commission’s 2014 report.

The Committee may also wish to note that the Greenhalgh report: Intellectual property enforcement in smaller UK firms (2010) found that “The cost of management time and of diverting other resources from the core business of any firm involved in an extended IP related dispute were also reported to be significant and to risk damaging the development of a firm as much as any financial costs.” In particular the report identified another cost - time cost - which hit SMEs hard. “The most pointed comments came from firms which had experienced major litigation. In such cases, the normal functioning of the firm seemed to be paralysed simply because of the demands of the litigation on almost all central functions and resources. Whilst a larger firm might be able to cope with this, the effect on a less well-resourced firm could be nearly terminal, even if the firm was at least partially successful in litigation.” The changes proposed allow smaller firms to more easily navigate the threats provisions, and talk before being pushed towards litigation, and so will help them make savings beyond just the cost of legal advice.

Generic medicines - Primary and secondary actors

The written evidence from the BGMA considered an example about use of generic medicines, in particular those that may have a patented second medical use. In the evidence session the Committee was interested to hear more on this point, which was characterised in relation to approaches made to a prescribing doctor and a dispenser (pharmacist).

Primary acts are clearly defined in section 70A(2) and its equivalents. These are the most damaging commercial acts: making an infringing product, importing an infringing product or using an infringing process. Anyone performing an act falling outside those definitions, is treated as a secondary actor and should not generally be threatened. Which one of the definitions applies will depend on the particular circumstances of the case. Case law has made clear that rights holders can be found liable for unjustified threats made against pharmacists and other medical professionals. The Bill changes nothing in this regard and a GP prescribing a medicine, or a pharmacist dispensing it, are secondary actors. This means a rights holder will risk a threats action if approaching them outside of a permitted communication.

It is preferable to define secondary actors in a general way, as in the current drafting, rather than listing specific special cases, such as pharmacists or other medical professionals. This ensures that the provisions are clear and reduces complexity. It is not considered practical for the Bill to list all professions who may or may not be a primary or secondary infringer. The Bill as written sets out the position clearly.

The BGMA note that a pharmacist may not know why a particular medicine has been prescribed and therefore will not know whether selling it will infringe a so called “second
medical use” patent. In this sense they are like other retailers who, as we have discussed, are not best placed to evaluate whether a threat to sue for infringement is justified. This is of course the reason for the protection the threats provisions provide to all secondary actors.

The permitted communication provisions provide a mechanism whereby rights holders can seek to resolve disputes without legal action and can seek information to help identify the trade-source of a potential infringement. I note that in their evidence the BGMA are in general terms supportive of this “clear and tight list of what communications do not constitute a threat”.

Professional adviser exemption

As the Committee is aware, the new protection only exempts advisers who are acting on their client’s instructions, in a professional capacity and who are regulated in the provision of the services they provide. Should it be shown that these conditions were not met at the time of the threat, then a threats action can be brought against the adviser.

It is important to remember that, where the adviser is protected, the instructing client will remain liable for making the threat – just as they are now. It will therefore remain possible to bring a threats action against the instructing client. There is no loophole being created and there is no removal of liability.

The Committee also questioned the regulatory powers available to bodies such as the Solicitors Regulation Authority (SRA) and the IP Regulation Board (IPReg). The SRA publishes information about its enforcement decisions online. Annual information about regulatory outcomes are also published by the SRA online. The most recent quarterly report available is from 2014. According to that report, in the fourth quarter of 2014 the SRA concluded 1,688 casework investigations, issued 34 sets of proceedings at the Solicitors Disciplinary Tribunal, through which 11 solicitors were struck from the roll, the figure I quoted to the Committee.

IPReg deal with complaints in relation to the professional code “Rules of Conduct for patent attorneys and trade mark attorneys” and the “Litigators code of Conduct” for those who are qualified court advocates. If the complaint is upheld the sanctions available to the disciplinary board range from a warning or reprimand to a fine or being struck off the Register either temporarily or permanently.

Online applicability of the threats provisions

The Committee were interested in a point raised by the Chartered Institute of Patent Attorneys in their written evidence, concerning the online applicability of the threats provisions. The principles of the Bill do cover online trading as well as that of physical goods. This has always been the intention, and we are satisfied that the Bill as drafted works to this purpose. However, as noted by David Hertzell in his oral evidence, the Explanatory Notes could be modified to add some additional material – particularly in relation to the “affixing” of trade marks, which appears to be the point on which CIPA are most exercised.

This detailed point about the primary act of “applying a trade mark” as it relates to goods being sold online is covered in the table below.

Drafting points

You also asked that I comment on the drafting points raised in evidence submitted to the Committee. Please find a table enclosed with this letter, in which I set out briefly the changes proposed, accompanied by commentary.

I am copying this letter to the Committee Clerk, for circulation to all SPBC members, and to stand as part of the written evidence submitted.
I am grateful to you and the other Committee members for the detailed and careful scrutiny you are giving the Bill. I look forward to our continued deliberations.
## Law Society and Intellectual Property Lawyers Association

<table>
<thead>
<tr>
<th>Suggested Amendment</th>
<th>Response</th>
</tr>
</thead>
</table>
| **Clause 1, page 2, line 30 (and equivalents)** | • The current drafting is intended to make clear that the permitted purpose requirements only apply to the part of a communication containing the threat (as set out in the explanatory notes).  
• I agree that the subjective intentions of the sender of the communication should not be a consideration. We are content that the provisions as drafted do not introduce a need to evaluate the motives of the sender. The law in this regards is therefore unchanged.  
• The evaluation of whether the part of the communication containing the threat is made solely for a permitted purpose is concerned only with the content. The current drafting reflects this. |
| 70B(1) (a) should be amended to read: “the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;” | The Law Society believe the term “solely” introduces a requirement to consider the motives of the sender of the communication and therefore that the term should be removed. |
| The current drafting is intended to make clear that the permitted purpose requirements only apply to the part of a communication containing the threat (as set out in the explanatory notes). | • It is understandable that CIPA would want protection limited to their attorneys and a more restrictive class of advisers, but the provision strikes the right balance, particularly as it requires a regulatory body to be in place.  
• It is not the Government’s policy to offer special protection to a limited number of domestic or European professionals in this area. The definition is deliberately broad – to best help those seeking legal advice.  
• The focus of the definition on the requirement that the adviser is regulated in the services they provide, and acting on instructions, is the right one. |
| **Chartered Institute of Patent Attorneys** | |
| **Clause 1, page 3, line 46 (and equivalents)** | • This introduces an entirely new concept of “purporting” to be a primary infringer, which would be complex and difficult to prove  
• It would risk satellite litigation  
• It would undermine the protection for retailers who inadvertently use ambiguous language.  
• And it blurs the line between primary and secondary infringers – providing a special case when it will be possible to threaten secondary actors freely, or to make a threat in relation to secondary acts. |
<p>| s.70D(2)(b) 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)” | The amendment restricts but retains the legal adviser exemption. |</p>
<table>
<thead>
<tr>
<th>Threats made to those “purporting” to be a primary infringer would not be actionable.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clause 1, page 2, line 19</strong></td>
</tr>
<tr>
<td>Amend 70A(4)(b) as follows:</td>
</tr>
<tr>
<td>(4) A threat of infringement proceedings is not actionable if the threat—</td>
</tr>
<tr>
<td>...</td>
</tr>
<tr>
<td>(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.</td>
</tr>
<tr>
<td>alternative wording suggested in (4)(b):</td>
</tr>
<tr>
<td>“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”</td>
</tr>
<tr>
<td>The amendment would provide a safe harbour for any communications to a manufacturer or importer, including in relation to certain products which they did not make or import.</td>
</tr>
<tr>
<td>CIPA suggest that the similar changes could be made to the equivalent sections for other rights.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Where threats are made to a primary actor in respect of one product, the exemption should not apply to threats in respect of equivalent or different products.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where threats are made to a primary actor in respect of one product, the exemption should not apply to threats in respect of equivalent or different products.</td>
</tr>
<tr>
<td>Such an extension to include equivalent products is too vague, will introduce uncertainty and encourage satellite litigation.</td>
</tr>
<tr>
<td>Such an exemption goes beyond excluding threats to the primary actor and starts to exclude threats to those in the position of secondary actors. This would remove an important distinction.</td>
</tr>
<tr>
<td>Where threats are made to a primary actor in respect of one product, the exemption should not apply to threats in respect of equivalent or different products. Doing so would mean providing special circumstances where the secondary actors can be threatened, overcomplicate the provisions and provide less clarity for users.</td>
</tr>
<tr>
<td>It is difficult to see how this could apply across all rights. Such a change could therefore mean lack of consistency which undermines one of the key purposes of the reforms</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clause 2, page 5, line 28</th>
</tr>
</thead>
<tbody>
<tr>
<td>To insert a new section 21A(2A)</td>
</tr>
<tr>
<td>“(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.”</td>
</tr>
<tr>
<td>The intended result of the amendment is</td>
</tr>
<tr>
<td>The Law Commission have considered this point before, when discussing the draft Bill with stakeholders in 2015, and believe the provisions as drafted, properly construed, cover the point.</td>
</tr>
<tr>
<td>There is no need for the additional wording CIPA suggest</td>
</tr>
<tr>
<td>This point can be clarified in the Explanatory Notes, as suggested by David Hertzell in the evidence session on 10th October.</td>
</tr>
</tbody>
</table>
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.

**Clause 1, page 4, line 16 (and potentially equivalents)**
Amend 70E to read:
“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. (b) In s.70C(3), in relation to an application for a patent, the section should read “infringement of the patent when granted”

This amendment is intended to ensure that the infringement defence set out in 70C(3) only applies once the patent is granted.

**British Generics Manufacturer’s Association**
To amend 70B(1) as follows:
“all of the information that relates to the threat is information that—
(a) is necessary for that purpose (see subsection (5)), and
(b) the person making the communication reasonably believes is true.”

The intention of this amendment would be to “raise the bar” for what information may be included in a permitted communication, requiring that information in relation to the threat is true.

- This is a pure technical drafting point
- The current drafting already reflects the position which CIPA aim for. It is not possible to infringe a pending right. The Patents Act 1977 requires the patent to have been granted before any retrospective “infringement” of a pending right can have taken place. Reading s70E in combination with s.70C(3), and in light of this point, it is clear that there is no defence for infringement of a pending right until that right is actually granted.

- This is too high a hurdle. No rights holder could ever be certain they are safe to make a permitted communication at all.
- The test of reasonable belief / reasonable person is well known in many areas of law and therefore provides sufficient clarity.
- This would simply lead to arguments over what is “true”, would lead to additional complexity and possible satellite litigation, and so would not improve the law in the way desired.
- The test as it stands places the burden of showing reasonable belief on the rights holder. This is right since they will be best placed to determine the accuracy of information relating to the right in question. This also strikes the right balance between protecting third parties from unjustified threats and allowing rights holders to legitimately enforce their rights.
SCHEDULE OF CHANGES

1. REFERENCES TO RECIPIENTS

<table>
<thead>
<tr>
<th>Section 70(2) Patents Act</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

References in this section and in section 70C to a “recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed. References in this section and in sections 70A to 70C to “a recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

Corresponding changes are made in s21(2) Trade Marks Act, s26(2) Registered Designs Act, s253(2) Copyright Designs and Patents Act, Re 2(2) Community Design Regulations.

We circulated 3 drafts to our working group in March, May and July 2015 before the draft was finalised and that version published with the report LC 360. In those earlier drafts we removed the word “recipient” from section 70A and 70B but omitted to remove the reference to those sections in the report version. We did not notice until after publication and then we made the correction.

2. ALL REASONABLE STEPS TO FIND A PRIMARY INFRINGER

<table>
<thead>
<tr>
<th>s70(4) Patents Act</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
</tbody>
</table>

It is a defence for the person who made the threat (T) to show— (a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in section 70A(2)(a) or (b) in relation to the product or the use of a process which is the subject of the threat, and (b) that T notified the recipient, before or at the time of making the threat, of those steps.
time of making the threat, of the steps taken.

Corresponding changes are made in s21C(3) Trade Marks Act, s26C(3) Registered Designs Act, s253C(3) Copyright Designs and Patents Act, Reg 2C(3) Community Design Regulation.

This is simply a change to clarify the test using more direct language.

### 3. PROCEEDINGS FOR DELIVERY UP

**Section 70F Patents Act**

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
<tbody>
<tr>
<td>In section 70(1)(b) the reference to proceedings for infringement of a patent includes a reference to proceedings for an order under section 61(1)(b) <em>(order to deliver up or destroy patented products etc.)</em>.</td>
<td>(1) In section 70(1)(b) the reference to proceedings for infringement of a patent includes a reference to proceedings for an order under section 61(1)(b) <em>(proceedings for infringement of patent: order to deliver up or destroy patented products etc)</em>.</td>
</tr>
<tr>
<td>(2) References in sections 70A to 70C to “infringement” in relation to proceedings mentioned in subsection (1) are references to the infringement by reason of which the products or articles to which the proceedings relate are products in relation to which the patent is, or is suspected of being, infringed or articles in which such a product is inextricably comprised.</td>
<td><em>(2) References in sections 70A to 70C to “infringement” in relation to proceedings mentioned in subsection (1) are references to the infringement by reason of which the products or articles to which the proceedings relate are products in relation to which the patent is, or is suspected of being, infringed or articles in which such a product is inextricably comprised.</em></td>
</tr>
</tbody>
</table>

Corresponding changes are made in s21F Trade Marks Act, s26F Registered Designs Act, s253E Copyright, Designs and Patents Act, Reg 2F Community Design Regulations.

This change was made since the previous subsection (2) simply restated the meaning of infringement, which is set out elsewhere in the respective Acts, for example in s60 Patents Act. This is unnecessary and we preferred to draft in direct language.
4. UNITARY PATENT

<table>
<thead>
<tr>
<th>Section 1(3) Unjustified Threats Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
<tr>
<td>(3) In section 70F (inserted by subsection (2)) at the end insert “and proceedings in the Unified Patent Court for an order for delivery up made in accordance with articles 32(1)(c) and 62(3) of the Agreement on a Unified Patent Court.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 1(8) Unjustified Threats Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
<tr>
<td>8) In paragraph 2 of Schedule A3 (application of relevant statutory provisions to European patent with unitary effect) at the appropriate place insert “sections 70 to 70F (unjustified threats);”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>s7(3) Unjustified Threats Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
<tr>
<td>Her Majesty may by Order in Council provide for the amendments made by section 1(3) and (8) of this Act to the Patents Act 1977 to extend, with or without modifications, to the Isle of Man.</td>
</tr>
</tbody>
</table>

These sections were inserted to make correct reference to the Unitary Patents and Unified Patent court in light of the Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016 (SI 2016 No.388).

5. EUROPEAN UNION TRADE MARKS

<table>
<thead>
<tr>
<th>Section 3 Unjustified Threats Bill (heading)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As introduced</strong></td>
</tr>
<tr>
<td><strong>European Union</strong> trade marks</td>
</tr>
</tbody>
</table>
### Section 3(3) Unjustified Threats Bill

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
</table>
| After paragraph (1) insert—
“(1A) In the application of sections 21 to 21C in relation to a European Union trade mark, references to a registered trade mark are to be treated as references to a European Union trade mark in respect of which an application has been published in accordance with Article 39 of the European Union Trade Mark Regulation.” | After paragraph (1) insert—
“(1A) In the application of sections 21 to 21C in relation to a Community trade mark, references to a registered trade mark are to be treated as references to a Community trade mark in respect of which an application has been published in accordance with Article 39 of Council Regulation (EC) No 207/2009.” |

### Section 3(4) Unjustified Threats Bill

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
</table>
| (4) For paragraph (2) substitute—
“(2) In the application of sections 21 to 21C in relation to an international trade mark (EC), references to a registered trade mark are to be treated as references to an international trade mark (EC) in respect of which particulars of an international registration designating the European Union have been published in accordance with Article 152 of the European Union Trade Mark Regulation.” | (4) For paragraph (2) substitute—
“(2) In the application of sections 21 to 21C in relation to an international trade mark (EC), references to a registered trade mark are to be treated as references to an international trade mark (EC) in respect of which particulars of an international registration designating the European Union have been published in accordance with Article 152 of Council Regulation (EC) No 207/2009.” |

These sections simply clarify references to EU trade marks in order to comply with the new Regulation (EU) No 2015/2424 which came into force on 23 March 2016.

6. COMMENCEMENT
This section, section 7(1) to (3) and section 9 come into force on the day on which this Act is passed.

(2) The other provisions of this Act come into force on such day or days as the Secretary of State may by regulations made by statutory instrument appoint.

This change is purely technical. It deals with the sequence of commencement orders of the individual provisions, and builds in flexibility about implementing the unitary patent provisions, for example.

### 7. MISC. CORRECTIONS AND CLARIFICATIONS

#### Section 1(5) Unjustified Threats Bill

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
<tbody>
<tr>
<td>In section 74 (proceedings in which validity of a patent may be put in issue) in subsection (1)(b), for “under section 70” substitute “in respect of an actionable threat under section 70A”.</td>
<td>In section 74 (proceedings in which validity of a patent may be put in issue) in subsection (1)(a), for “under section 70” substitute “in respect of an actionable threat under section 70A”.</td>
</tr>
</tbody>
</table>

#### Section 1(6) Unjustified Threats Bill

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
<tbody>
<tr>
<td>In section 78 (effect of filing an application for a European patent (UK)), in subsection (2) at the appropriate place insert “sections 70 to 70F”.</td>
<td>In section 78 (effect of filing an application for a European patent), in subsection (2) insert (in the appropriate place) “sections 70 to 70F”.</td>
</tr>
</tbody>
</table>

#### S26B Registered Designs Act

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) For the purposes of section 26A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—</td>
<td>(1) For the purposes of section 26A(5), a communication containing a threat of infringement proceedings is a “permitted communication” (in relation to that threat) if—</td>
</tr>
</tbody>
</table>

---

39
(1) For the purposes of section 253A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—

<table>
<thead>
<tr>
<th>As introduced</th>
<th>Previous version</th>
</tr>
</thead>
<tbody>
<tr>
<td>A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that— (a) a Community design exists, and</td>
<td>A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that— (a) a Community design exists (whether a registered Community design or a design protected as an unregistered Community design), and</td>
</tr>
</tbody>
</table>

These are simply changed to correct a minor error (in s1(5)) and to neaten the language used in the Bill without stating the obvious.
Letter to the Committee from David Hertzell, Law Commission

1 November 2016

Intellectual Property (Unjustified Threats) Bill

The Law Commission is grateful for the opportunity to submit further written evidence to the Special Public Bill Committee in respect of the bill and ask that it is circulated to the members. I would like to clarify one aspect of my oral evidence, after which I will deal with the issues raised in the evidence sessions that the Committee would like the Commission to address and then comment on the proposed drafting changes.

When considering drafting changes it is important to remember that the bill will insert the individual threats provisions into the existing framework of each of the main statutes or regulations for the right concerned. While the provisions appear in isolation in this bill they must, however, be read in their wider context. The risk that making any changes to the threats provisions may have unintended consequences elsewhere is real. Therefore, the Commission has exercised caution when doing so. Some of the suggested drafting changes are concerning, especially those that would introduce concepts that are not part of the current statutory framework, such as equivalence or whether someone purports to be something else. The Commission does not believe that any of the changes proposed in written submissions to the Committee are necessary and considers that some suggestions, whilst well intentioned in isolation, might work to undermine the aims of the reform.

I have had the benefit of reading the written submission to the Committee from Baroness Neville-Rolfe. The Commission agrees with the comments made on the benefits for SMEs, the classification of prescribers and dispensers as secondary actors and has nothing more to add. I do have some brief comments on the issue of the on-line applicability of the provisions. The Commission has already sent to the Committee a summary of the minor drafting differences between the 2015 report draft of the bill and the draft as introduced as requested.

A point of clarification

At the first evidence session, Baroness Bowles asked me whether I considered a threat made to a primary infringer in respect of a claim which is "out of touch with reality on the validity and scope of the intellectual property right" would be unjustified. I am concerned that in the discussion that followed we may have been at cross purposes and my answer, that it would be, needs clarification.
Within the colloquial meaning of the word, a threat made in the circumstances described could be considered unjustified. It was in that sense that I was responding following the earlier discussion of morality. However, the threat might not be actionable or unjustified within the meaning of the bill. The bill prevents a threats action being brought for any threat that refers to primary infringing acts or that is made to primary actors. An "unjustified" threat in the sense intended by the bill is one made to a secondary actor where the justification defence (that the acts complained of are or would be infringing) cannot be made out.

There are other remedies available where the circumstances are as those described by the Baroness. Mr Justice Birss referred to two in his oral evidence, declaratory actions and actions for revocation. So, to be clear, a threat to a primary actor in the circumstances described might be deemed unjustifiable and might be actionable, but not under the terms of this bill. I regret any confusion that may have arisen on this point.

**Professional adviser exemption - in-house lawyers**

In their written submission, the BBC queried whether the adviser exemption would extend to in-house lawyers and I was asked by the Committee for clarification. The exemption is intended to extend to in-house advisers and Parliamentary Counsel was instructed on that basis. An in-house adviser may act on specific instructions or under a general mandate to protect and preserve the enterprise’s property. In either case the adviser is acting on instructions and provided that the other conditions are met, for example that they are regulated in providing the services, the exemption applies. It is encouraging that Mr Justice Birss construed the exemption to extend to in-house advisers. However, to put the matter beyond doubt, wording removed from the explanatory notes that made this clear will be restored.

**Threats made to sue for infringement before the right is granted**

An issue was raised in CIPA’s written submissions concerning the wording of section 70E. The section enlarges the meaning of “patent” in sections 70 to 70C to include a reference to an application for a patent published under section 16 of the Patents Act 1977. Section 70C(3) is the justification defence. CIPA suggest that explanatory words should be inserted into section 70E so that it is clear that a threat to sue for infringement made when an application is pending means to sue when the patent is granted.

This is an example of where it is necessary to consider a suggested drafting change in the context of the whole statute in which sections are inserted by the bill. The Commission believes that the additional words are unnecessary as section 70C(3) must be read in the light of section 69 of the Patents Act 1977 which already makes the point clear. As a precaution the Commission has discussed the issue with Parliamentary Counsel and we remain of this view. The Commission would be happy to insert a cross reference to section 69 in the Explanatory notes.
Permitted communication – judicial discretion

Section 70B, the permitted communication exception, is intended to clarify what disputing parties may say in circumstances where one of the parties would ordinarily be entitled to bring a threats action if the communication contained an implied threat. The section sets out the permitted purposes and the conditions that must be met to prevent a threats action being brought. As an additional aid, examples are given of the types of information that might be necessary for a permitted purpose.

The Patent Judges in their consultation response observed that it is very difficult to draw up tightly drafted prescriptive rules that could accommodate the infinitely variable circumstances in which parties communicate. With that in mind, the Commission devised the permitted communication framework so it would provide identifiable boundaries but would also be able to accommodate changes as the law developed and circumstances changed. The judicial discretion supplies that flexibility.

At the second evidence session, the Committee were concerned that the discretion might be too broad. Professor Sir Robin Jacob addressed the issue in his oral evidence. While he welcomed the discretion and noted the Committee’s concern, he thought the opposite might be true in that the bar had been set too high. The discretion could only be exercised where it was “necessary” in the interests of justice and “someone is always going to say that it is not necessary”.

The policy behind the provisions is that secondary actors should be left to go about their business untroubled, so an approach to a secondary actor should be the exception and not the rule. As drafted, the discretion provides a means by which the exception can develop over time in a way that will not make the law uncertain or weaken the available protection against threats.

The Commission expects the discretion will be used sparingly. As Mr Justice Birss put it, the permitted communication provision must “strike a balance between being specific and leaving some wiggle room”. I think section 70B(3) has got the balance right as it allows the specific circumstances of a case to be taken into account but also provides clarity for those who wish to communicate in respect of a potential dispute without triggering a threats action.
Permitted communication – electronic notices in respect of alleged high volume, low value infringements on trading platforms

In the final evidence session the Committee heard from witnesses from the Anti-Counterfeiting Group, the IP Federation, the BBC and eBay on the issue of notifications to platforms of claimed infringements.

The verified rights owner programme procedure used by eBay and its effect were described. There are two methods. The first uses a standard notice where the IP owner identifies itself, its right, the item in issue and signs a declaration that the item is not being sold with its authority. This goes to a dedicated team for the existence of the right to be established and, if it is, the listing is removed, usually within 24 hours. eBay provides each party with the contact details of the other and encourages them to talk to each other. The second method is web based in that the owner indicates through the listing that there is an issue with the item, the seller is sent a message, contact details are given and the parties encouraged to talk. Again the listing is taken down within a short period.

The problems highlighted to the Committee were first that, as there has been no definitive judgement from the court on whether the notification are threats, it is unclear if the threats provisions are engaged. That suggests to me that it would be premature to make any change to the text of the bill as it may ultimately prove unnecessary.

Second, it will often be impossible to tell whether the alleged infringer is a primary or secondary actor. If the latter, then it is unclear if the permitted communication exception applies. Finally, because the standard forms do not allow the owner to state what steps have been taken to find the primary actor, the threatener may be unable to rely on the defence at section 70C(4).

Dealing with the last point first, the difficulty arises because of the way the forms are drafted and not because of the underlying law. It was encouraging that eBay were open to addressing this by including a free text box on the forms where the additional information could be entered. I believe this is the correct approach.

There was some concern about the requirement that the owner takes all reasonable steps to locate the primary actor before filing a notification and whether this was too onerous. The requirement must be viewed in the particular circumstances of the case. If all that can be done is to send an email to the person concerned asking for the information, I do not think it onerous or disproportionate to expect that it is done. In the circumstances the requirement will be satisfied.
On whether the permitted communication exception applies, the Commission opposes any suggestion that filing notifications of claimed infringement should be added as a permitted purpose. This would undermine the protection for secondary actors and distort the policy behind the exception. The existing permitted purposes aim to facilitate the exchange of information and the resolution of disputes without disruption to the secondary actor’s trade. Section 70B(4) expressly excludes a request that a person cease doing something in relation to the disputed item for commercial purposes from being a permitted purpose for this reason. The effect of a notice to a platform, once the right claimed has been verified, is to prevent the person against whom it is lodged from continuing to trade in the product — even should it be found that there was no infringement. We note that both Mr Justice Birss and the Anti-Counterfeiting Group indicated that they were aware of the notification process being used in exactly the way the threats provisions aim to prevent. Should a threatener be sued for making threats then the defences at section 70C are available.

**Permitted communication — examples of information that may be regarded as necessary for a permitted purpose.**

A common theme in consultation and other responses was the lack of guidance in the current law about what might be said and what not. Section 70B(5) sets out a non-exclusive list of examples, as guidance, to assist those relying on the permitted communication exception. At the third evidence session, Baroness Bowles asked what the effect is where the information provided was not necessary for the purpose. There is no requirement that the communicator must prove that there is an underlying need for the information. For example, that the recipient of the information was, in fact, unaware of the existence of the right. That is not part of the law now where a communicator relies on the mere notification exception and the bill does not change this principle. The threats tort remains one of strict liability, so what the communicator thought or knew is irrelevant. If a court decides that information of a type listed as an example is not necessary for a permitted purpose, then it is subjected to the test for a threat, as would happen with any extraneous material. Should it be found to be a threat, the provisions are triggered.

After the final evidence session, the Committee asked me to comment on how the words “examples of information that may be regarded as necessary for a permitted purpose include…” at section 70B(5) should be construed. It is hard to think of scenario where the examples given would not be considered to be necessary information for one or more of the permitted purposes. Section 70B(5) is intended to be for guidance and nothing more. It is not intended to set hares chasing. The Commission would be happy to make this clearer in the Explanatory Notes.
I will now deal with the proposed drafting changes that have arisen in written and oral submissions.

**Who may be threatened? Purported primary actors section 70A(4)(a)**

Section 70 A(4)(a) provides that a threat will not trigger the threats provisions where it is made to a primary actor, that is, someone who has or intends to carry out a primary act specified for the particular type of right. That is the case no matter what the threat refers to. Before dealing with the suggested change, I will explain a little of the history to the distinction made between primary and secondary actors.

The early threats provisions were fairly simple: if any person threatened any other person with infringement proceedings then any person aggrieved could bring a threats action. In 1970 the Banks Committee found that there was there was dissatisfaction with this set up. It was felt it gave too much protection to the worst infringers who could cause the most commercial damage but not be warned off without the risk of a threats action. The Committee recommended that there should be two types of infringer: the primary who could be warned off without fear of a threats action, and the customer of the primary infringer who would remain protected. Customers are more vulnerable to unjustified threats. The fear of being caught up in an infringement action may be more than enough to persuade a customer to take its business elsewhere. The recommendation was enacted as section 70(4) of the Patents Act 1977 which prevents a threat action being brought for threats that refer only to primary acts of infringement.

The section was strictly construed by the courts with the result that any threat to a manufacturer, importer or user of a process which referred to other infringing acts could give rise to a threats action. This caught people out and once again the feeling grew that primary actors had too much protection. The law was reformed in 2004, albeit for patents only where currently no threats action may be brought for any threat made to a primary actor. When introducing the change, the Government was careful to preserve the long established protection for secondary actors.

CIPA suggest that secondary actors who give the impression that they are primary actors even if they do not explicitly say, for example by referring to “our new line” in sales literature, should be excluded from the protection of the threats provisions. In its 2015 response to the IPO’s consultation on the bill, CIPA explain that where a secondary actor purports to be a primary actor and only reveals that it is not after the threat has been issued, the rights holder is at risk of a threats action.

The Commission does not accept that the suggested amendment would improve the law for either rights holders or secondary actors. First, “purports” is a nebulous concept and would make the law uncertain and more complicated. It invites satellite litigation as to its meaning and whether the facts of a particular case support a finding that the secondary actor was purporting to be a primary actor.
Second, we do not think that where the statement in issue is ambiguous or innocently made it is justifiable for a secondary infringer to lose all protection from threats. For example, "our new line" could just as easily be taken to be a reference to a new line being retailed rather than manufactured. It seems disproportionate to leave a secondary actor vulnerable to threats on that basis. To avoid this the exception could only apply to cases where the secondary actor intentionally purports to be a primary actor and the rights holder is unaware that they are not a primary actor. We question how common this is, how useful the exception would be and whether it justifies introducing a break in the protection for secondary actors.

Finally, the distinction between primary and secondary actors was introduced so that rights holders could warn off infringers capable of doing the most commercial damage. Those who are "purporting" to be primary infringers are not in fact manufacturers or importers with the capacity to do that level of damage, they are retailers and stockists. The Commission does not accept that this change is necessary. The permitted communication provisions allow a rights holder to approach another party to find out whether and by whom their rights might be being infringed. There is no risk of a threats action if the party approached ultimately turns out to be a secondary actor. If the rights holder cannot locate the primary actor then the secondary actor can be threatened and the threatener has a defence.

**Equivalent products – section 70A(4)(b)**

The second CIPA proposal would also create an exception to the principle that secondary actors should be protected from threats to sue. The suggested change would allow a threat to be made to a primary actor in respect of a product or process and any equivalent product or process. It is argued that under current law, a communication could refer to the manufacture of a described product and also seek an undertaking not to sell or supply any of the described product. The claim is that this will not be possible under section 70A(4)(b) because it is limited to other acts "in relation to that" product, meaning the same product as that which has been manufactured by the primary. An undertaking sought in those terms could be got around by the primary actor buying in and selling equivalent products from some other manufacturer.

The Commission does not agree that CIPA’s suggested change is either necessary or helpful. First, the words "in relation to that" product are taken from the current law and do not have the effect now that concerns CIPA. I can see no reason why that would change after the implementation of this Bill. Second, the concept of equivalence is inherently vague. It will complicate the law and promote satellite litigation. Finally, in respect of the bought in equivalent products, the primary actor is at worst a secondary infringer, and as such is entitled to protection from threats. At best, the primary actor would be an ordinary customer if the product was sourced from a lawful outlet. If the latter, then the rights holder may be interfering with lawful trade. I cannot see how that can be justified.
The cumulative effect of CIPA’s proposed changes to section 70A(4) would undermine the important protection for secondary actors that all previous re-enactments of the threats provisions have steadfastly preserved.

Professional advisers – section 70D – specific advisers and regulators

For the adviser exemption to apply, professional advisers must be regulated by “one or more regulatory bodies”. In their written submission, CIPA proposed replacing this with “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]”. The argument put forward was that any group of people could set up a regulatory body and write rule and claim the protection of the adviser exemption.

The Commission has considered and rejected similar proposals to narrow the scope of protection during the course of the project. The Commission has also considered CIPA’s concerns about the breadth of the professional adviser exemption, but did not agree.

First, the bill intentionally adopts a broad approach to the category of exempted advisers and included foreign professionals involved in UK-based disputes. Foreign advisers are likely to be unaware of the threats provisions. Stakeholders provided the Commission with anecdotal evidence of foreign professionals, under a national obligation to make prior disclosure attempting to do the same thing in this jurisdiction only to be met with a threats action.

Second, the policy which underpins the exemption is that poor behaviour by the adviser, which exposes the client to a threats action, is a matter for professional regulation and not something that should attract civil liability. Mark Anderson made a similar point at the third evidence session, when he explained that the threats provisions are not the appropriate vehicle for regulating behaviour which is addressed by other means through regulation. Matthew Harris, at the same session, also noted that failing to advise a client on the risk of incurring liability for making threats may amount to negligence.

More fundamentally, CIPA’s proposed change creates “classes” of regulation with some being acceptable while other ad hoc arrangements are inherently questionable. There is no evidence to support the claims made and I do not see that it is a function of the threats provisions to discriminate in this way. Nor do I accept that the Legal Services Act 2007 would necessarily be of great assistance. There have been calls for the reform of the 2007 Act by the previous Lord Chancellor as well as from the Legal Services Board itself. I also believe that the question of what regulator is “equivalent” introduces uncertainty and invites satellite litigation.

The adviser exemption is intended to make it easier for those most in need of advice to access it, in particular SMEs. As currently drafted, section 70D(2)(b) does not unduly restrict the range of advisers who may assist, while at the same time it imposes a requirement that the adviser is regulated in providing services. The Commission considers this achieves the right balance.
Permitted purpose - section 70B(1)(a) - removal of “solely”

Section 70B(1)(a) is designed to facilitate useful communication between disputing parties. Stakeholders were concerned that communication with secondary actors was fraught with difficulty due to the risk that the communication might be taken to contain an implied threat. A balance must therefore be struck that allows communication which might lead to a settlement but which also protects the communicator from the risk of being sued for making implied threats.

The Commission was first made aware of the Law Society’s concern about the effect of the word “solely” early in 2015. Parliamentary Counsel was instructed to redraft the section to make clear that the requirement that information is solely for a permitted purpose applies only to that part of the communication which amounted to an implied threat and not the whole communication.

The concern raised in written submissions by the Law Society and the IPLA is that the requirement implies that there must be a “subjective assessment of the sole purpose in the mind of the sender”. The Commission does not agree with this interpretation. As previously mentioned, this is a strict liability tort and the threatener’s state of mind when making the threat is not relevant; a court will not undertake such an enquiry. Whether the information found to be a threat is provided solely for a purpose is assessed objectively by the court by construing the words used. The permitted communication sections allow the parties to exchange information, try to resolve any dispute so avoiding litigation and uncover any primary actor who then may be pursued. The Commission, therefore, does not consider the Law Society’s proposed amendment necessary, however, we would be happy to redraft the explanatory notes to make this point clearer.

Permitted purpose – section 70B(1)(b)(ii) – reasonably believes is true

The drafting change put forward by the British Generic Manufacturers Association is that the information given for the purpose should be true, rather than reasonably believed to be true by the communicator. It is argued that the current wording is too weak and that the meaning of “reasonably believes” is unclear. The Commission does not agree with the suggested change.

A requirement that the information is true, in absolute terms, is very onerous and we believe it would severely restrict the use of the permitted communication provisions, if not rule it out altogether. It would require the communicator to go to great lengths to investigate the truth of anything that is to be communicated, while remaining open to the risk it is untrue for reasons unknown. I consider that the amendment will encourage a return to the “sue first talk later” tactic. I also believe that what is meant by “reasonably believes” is clear. It is a familiar legal concept often encountered, for example, in whistleblower, employment and data protection cases. A rights holder must have a basis to a reasonable belief that information is true and to impose a more stringent requirement would restrict the usefulness of the section for constructive communication. Therefore the current wording does not need to be changed.
Trade Marks - on-line applicability of the threats provisions

As already mentioned, I agree with the comments in the Minister’s written submissions on whether the threats provision cover on-line trade where the sign is in electronic form. I have also been asked by the Committee, after the final evidence session, to comment on a foreshortened version of CIPA’s suggested drafting change to section 21A to insert a new section 21A(2A).

This arose from a comment from the BBC in their evidence session, in which they rejected the second part of the CIPA drafting change. That part created a saving for cases where the mark had been physically applied by someone other than the originator of the electronic publication. The BBC argued that this would undermine the attempt to clarify section 21A since the act of using a trade mark online itself is an infringement. Although the Commission does not think that there is a need for any change to the section, we agree that the second part of the proposed drafting change is undesirable and unnecessary.

As regards what would remain of CIPA’s proposed change, there is nothing in the relevant sections on infringement or the exclusive rights conferred by a trade mark in the Trade Marks Act 1994 that expressly requires a sign to be in physical form. It is accepted that services may be offered on-line under a sign in electronic form, for example, flower deliveries, and that is so whether the sign is included in a listing or as an AdWord. Nor is there any express requirement that the sign must be physically applied to physical goods or their physical packaging. Where goods themselves are electronic then it follows that the sign applied must also be electronic. The Commission can set this out more clearly in the Explanatory Notes. Therefore, I do not believe this suggested change is necessary in full or abridged form. I would also caution against the suggested change as it could cast doubt on something that already appears to be a settled view.

Conclusion

On behalf of the Commission, I am grateful to the Committee for their attention and careful consideration of this bill. Please let me know if there are any further issues which the Committee wish to discuss.

The Commission would be happy to address any further queries in respect of the bill in further evidence to the Committee, if that would be of assistance.

Yours sincerely

David Hertzell
Special Public Bill Committee

Intellectual Property (Unjustified Threats) Bill

Corrected oral evidence: Intellectual Property

Monday 17 October 2016
3.10 pm

Watch the meeting
Members present: Lord Saville of Newdigate (The Chairman); Baroness Bowles of Berkhamsted; Viscount Hanworth; Lord Lucas; Baroness Mobarik; Baroness Neville-Rolfe; Lord Stevenson of Balmacara.

Evidence Session No. 2 Heard in Public Questions 14 - 22

Witnesses

I: The Honourable Mr Justice Birss, Judge of the High Court of England and Wales, and of the Patents Court; The Rt Hon Professor Sir Robin Jacob, Former Judge of the Court of Appeal of England and Wales and Sir Hugh Laddie Chair of Intellectual Property Law, University College London.

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

3. Members and witnesses are asked to send corrections to the Clerk of the Committee within 7 days of receipt.
Examination of witnesses

The Honourable Mr Justice Birss and the Rt Hon Professor Sir Robin Jacob.

Q14 **The Chairman:** Welcome to our two witnesses today for our third meeting of this Special Public Bill Committee. We are privileged to have Mr Justice Birss, the patent judge, and Professor Sir Robin Jacob, former judge of the Court of Appeal and presently the Sir Hugh Laddie Chair of Intellectual Property Law at UCL. He is also chairman of the advisory panel on the appointment and training of judges of the Unified Patent Court. I have the formal duty of indicating to you the list of declared interests, which I think you will find before you. We can now start. I begin with Sir Colin. Would you like to say a few opening words?

**Justice Birss:** Thank you very much, Lord Chairman. There are two things that I want to say, which I hope will help. First, although I am now a judge in the High Court, when I first became a judge it was in what was then called the Patents County Court and is now the Intellectual Property Enterprise Court. A particular element of that experience may be of some value to the Committee. I took the liberty of asking my successor, His Honour Judge Hacon, on Friday whether his experience is the same now as mine was a couple of years ago. The position is simply this. Threats law, which is obviously what the Bill is about, is an important area—you do not need to be told that—but it has particular importance for small and medium-sized enterprises, which is what the Patents County Court and IPEC are there to deal with. His experience and mine is and was that you see threats cases—they exist and they are real. It is important that we get the law right, particularly with an eye on these SMEs. I do not think I have told you anything that is a surprise, but I wanted to make that clear.

It may be of assistance to make another point at the outset. Your Lordships will be aware of the debate about whether we should have an unfair competition tort in general or whether we should be doing something more specific—obviously, the IP threats Bill is a much more specific approach. The one thing that I wanted to say relating to that, again from my experience, is this. The trouble is that it is not necessarily that the law is or is not complicated; you will not necessarily solve a problem simply by making the law shorter or writing a short law that says, “Thou shalt not commit acts of unfair competition or abusive communication”. Part of the difficulty in this area is that the facts are complicated. Sometimes a letter that looks legitimate is illegitimate, because of the context in which it has been written or the way in which it has been used, and sometimes different things happen. If one writes a short law, all one ends up with is an awful lot of case law, which takes one back, I believe, to the sorts of law that we already have written down.

With that observation, from having to deal with threats, it seems, if I may say so, that one does not want to get too hung up on whether we
should simply abolish all this and have a simple law of competition, because we would find that the courts would just have to create a scheme that is the same or very similar to the scheme that is already in the legislation. Those are the two things that I wanted to explain.

**The Chairman:** Thank you. Sir Robin?

**Professor Sir Robin Jacob:** I have a couple of things. First, I was rather in favour of a relatively short law, but nothing like a generalised unfair competition law, which is very un-Anglo-Saxon. It would require years of case law if you wanted to replace the law on passing off. For example, is it unfair for one lorry company to get all the contracts because it breaks the speed limit? That would all be caught by unfair competition law, as it is in places such as Germany. I am not suggesting anything like that. To some extent, this Bill has in several of the sections built into it something like a bit of judicial discretion over deciding what is unfair. For example, new Section 70B says: “The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a ‘permitted purpose’ if it considers it necessary in the interests of justice to do so”. That is a general discretion within a narrow area. In the end, I am not going to pursue anything else. It has got as far as this and it is better to get on with this than to go back to the drawing board.

I have a second observation, which is on the suggestion—I do not agree with it—that there should be no liability for lawyers and patent attorneys. That is not surprising when you have submissions from the solicitors, patent attorneys and trademark agents all saying that they should not be liable. They have one point, which is that, if they write a letter, they can have a conflict between them and their client. I have never seen any difficulty over that. As I said in my submissions to the Law Commission, there are an awful lot of cowboys out there—they may be legally qualified, but they are still cowboys—who are prepared to write letters to the little people. These are the trademark bullies and the like. I think this is a bit of a danger, so I do not see that there is a real need for this. It has not caused significant problems over my entire career. They do not like it, but that is not the test.

**Q15 The Chairman:** Before we start our questioning, let me go back to the point that you made about the discretion of the court. That is concerning us, too. We are going to invite the Law Commission to make further submissions to us on that subject. On the one side, it is helpful in certain circumstances to give the court a discretion, simply so that the law does not crystallise. On the other side, it opens doors to people who may want to use it for less than legitimate purposes.

Having said that, I will start by asking the first question, which is very general. What is the scale and seriousness of the problems with the current law on unjustified threats?

**Justice Birss:** Candidly, as a judge, I do not have the statistics to give you an answer on the scale of the problem with the current law. That is...
not an easy question to answer. On the scale, I do feel able to tell you that it is tangible; it is not a trivial thing. That is the best I can help with.

As for seriousness, these are serious problems. The Bill seeks to address two main problems. One is to sort out the point that you can write a proper letter to a primary infringer in all areas of the relevant IP rights. That is a useful thing to do, as there is a problem at the moment—there is this incoherent position. Patent law has moved in the right direction and the other areas should catch up, although that may be a question of policy—I do not know; I will not try to tell you what I think. The other area is permitted purpose. That is a really good way of encouraging and allowing litigants to share information before they go to court. It is a problem with threats. It is not a problem that you can solve by abolishing the law of threats. I know that you are not thinking of that, but I would urge you not to do it. The threats law is a useful and important bit of law. Because we have it, however, it creates a problem that is different from other areas of civil litigation, where it is easy for parties to exchange information and write to each other before they start a case. It is important that we try to make that possible, which is what this permitted purpose bit of the legislation is for. That is my answer to your question.

Professor Sir Robin Jacob: I agree with Sir Colin that basically this is not a big part of intellectual property law, but it is there and it does have a part to play. I think it has been playing quite a useful part over the years. It does not and cannot deal with the trademark bully who is simply aiming straight at, say, a small pub somewhere that produces something using “Mac”, but it is obviously nothing whatever to do with McDonald’s and the man who runs it is known as Mac, his father was known as Mac, and so on. It cannot deal with that, because they are primary infringers. It does not deal with other things.

My pupil master told me about threats years ago. He said, “Never write a threatening letter. Start the proceedings: it is all the difference between sticking the knife in and offering to take it out”, because once you have started proceedings, you can do just that. You can publicise the proceedings and put the man’s customers off, that sort of thing. It does not deal with any of those. It does not deal with some of the abuses that can happen in intellectual property, but it deals with others effectively. It does not cover passing off or copyright—it would be quite difficult to make it cover copyright—but never mind, it is dealing with most if not all of the registered rights.

The Chairman: The point about copyright has been raised more than once. The difficulty is that it is not something the Law Commission has gone into in any depth at all and it would have delayed the progress of its report, but I can see that there are substantial arguments that possibly go to having a single tort that covers every form of intellectual property, not just the present ones.

Professor Sir Robin Jacob: It might. In a real case, as far as trademarks are concerned, in the commercial world there will always be the potential for a passing-off action. Nobody is going to write letters of
any kind if the mark does not have any fame. There is a possible common-law action, and trademarks and passing off are nearly always run together. So you get rather weird letters that do not mention the trademark, but then you get the trademark action. It is a bit difficult to write a letter saying, “You are passing off like crazy. You ought to stop. Incidentally, I own a trademark”.

**Justice Birss:** Perhaps I might make an observation about that. I agree with what Sir Robin has said. Another dimension to the copyright threats problem, which the Committee may be aware of—I think it was referred to in one of the debates—is that there was some litigation, some of which came in front of me, concerning a company called MediaCAT, which was threatening members of the public in relation to pornographic films, and that opened up a whole can of worms, frankly. That was a real issue and it is a concern about threats in the copyright sphere that that sort of thing can go on. But a threats law is never going to deal with that, because fundamentally the law on threats gives somebody else the ability to take a matter to court; the “person aggrieved” is the expression used in the Act. You are selling products to somebody, your customers are being threatened, and of course, if they choose to, your customers can always defend themselves. The problem is that you are suffering because your customers do not want to defend themselves—they are not interested—so a threats law would give someone else the ability to come to court. The problem in those copyright cases is that there is no other person who can come to court, so no law of threats is going to alleviate that issue. The way it is alleviated is by the courts being proactive and by the professional regulators.

**Professor Sir Robin Jacob:** There is another problem in copyright. If you want to sue a secondary infringer—a dealer—you have to prove that they have knowledge that what they are dealing with is infringing. You have to send them a letter before you can get at them.

**Lord Stevenson of Balmacara:** I just want to press you on the numbers. I appreciate that you are not in a position to give scientific or other evidence, but it would be interesting to know whether it was broadly equally dispersed between patents, trademarks and designs or whether there was a preponderance of one. The examples you have given have been largely in trademark. Does that mean that that accounts for the largest number of issues that come before you?

**Justice Birss:** I would say no. Trademarks is an important area, but threats are absolutely spread across all the IP rights. Certainly, there are threats that need to be dealt with in patents. Part of the reason for that is that subject to the Intellectual Property Enterprise Court, patent litigation in this country has notoriously been horribly expensive, so the fear of being dragged to a patent trial has been enough to achieve your commercial objective without ever having to vindicate your rights, which is where this all comes from. So there are certainly threats in patents, and when I was a judge at the Patents County Court I certainly saw threats concerning registered designs too. There were
some nasty ones there. One of the problems you see now is actually mentioned in one of the written responses the Committee was sent, which talks about the procedure called VeRO, which is a verified rights holder scheme for companies like eBay under which a rights holder can write to eBay and say, “That is infringing my rights”. Registered designs come up in that context.

Baroness Neville-Rolfe: We discussed unregistered design rights at last week’s session. Do you think they should be included?

Professor Sir Robin Jacob: In principle I think they should be, because very often you will have the registered and unregistered designs running together. I would want to check the detailed legislation on unregistered design rights just to see whether there is any place where it is different from the law of registered designs. I do not recall any relevant difference. You have to prove copying, so you will be alleging copying, and you do not have to have that for registered designs. There will be other things that come in, but certainly it would make sense to provide that somebody who has been hurt, and who is losing his customers because people have been writing to his customers but they have not been suing him, should be liable. I see no difference. As a matter of fact, my answer would be the same in relation to passing off.

The Chairman: We will move on to the next question. Lady Bowles, perhaps you would like to read that out and we will take it from there.

Q16 Baroness Bowles of Berkhamsted: The questions follow on from where we have already got to. The law on unjustified threats needs to strike a balance between competing considerations, including the right of freedom of expression of IP rights owners, the desirability of enabling rights owners to enforce their rights, promoting negotiations between parties, and reducing the damage caused by abusive threats. I think that is extracted from the evidence given to the Law Commission by the patents judges. Will the law strike the right balance once the Bill is enacted?

Justice Birss: My short answer is: yes it has. The two ways in which it does it—we have already mentioned them, so I will not labour them—are, first, making the law more coherent by having the same scheme applying to all these different rights. That is most important in relation to the concept of a primary infringer, which I know you have been through. The other one is facilitating communications. Those are the two things that do that, as I mentioned before.

Professor Sir Robin Jacob: I am of the same opinion, particularly because of the thing that I favour, new Section 70B(3), which refers to “the interests of justice”. The trouble is that you cannot work out all the situations that are going to happen. This is a little saver at the end, which tells you that if you are sending letters to secondary people, which is what this is about, there may be something you want to say.

Baroness Bowles of Berkhamsted: Is that a one-way discretion, in the sense that somebody has said something that has been taken to be a
threat and the court can decide, “Well, no, it was in all the circumstances reasonable, so it was not a threat”? It says that you must not have an explicit threat in a permitted communication, but there are always ways of intimidating without making explicit threats. It can be intimidating just because you are a big and powerful organisation bearing down on an SME. If the letter was specifically crafted to try to be abusive, would you have the ability in court to go the other way and say, “Although this looks like a permitted communication, it is not”?

**Professor Sir Robin Jacob:** Yes, I think you would. If you look at the actual decisions on what amounts to a threat, almost anything other than just notifying somebody of a patent you see over history that the courts have to be very astute to read a letter as a threat.

There is a drafting point. Two bodies—the solicitors and, I think, the patent attorneys—raised a drafting point about the word “solely”, which is on the very point you have here. It would make sense to make sure that it is drafted so that you do not have an inquiry into what the man who wrote the letter actually intended. You look at the letter and work out from that what he must have intended. Whether he thought it was all right or that it would put the chap off is neither here nor there. I think there is something in that drafting point. We do not want cross-examination of people who wrote the letters.

**The Chairman:** We are proposing, when we have more or less finished taking evidence, to send you any suggestions for amending the Bill that are made to us. We would all be extremely grateful if you could look at those and express a view on the proposed changes. That was one of them. The other was whether or not to get rid of “somebody reasonably believing it to be true and it having to be true”. There may be more, but we will write to you, if we may, and we would be very grateful for a response.

**Professor Sir Robin Jacob:** We will try to do a joint one.

**The Chairman:** That would be even better.

**Baroness Bowles of Berkhamsted:** If I may continue, there are two other instances where a letter might be sent to somebody who is allegedly a primary infringer but turns out not to be. That could be done in good faith or in bad faith; I know examples of both. There is also the instance, which would be done in good faith, where for some reason they were purporting to be the primary infringer—to enhance their reputation or whatever—but in fact they are not. How would you see this all playing out in those various scenarios?

**Justice Birss:** On the latter—purporting—I think the Chartered Institute of Patent Attorneys made a suggestion, which, speaking for myself, seemed a very sensible way of dealing with that.

**Professor Sir Robin Jacob:** Yes, I agree with that.
Justice Birss: Forgive me, I forget exactly what the former instance was. I am so sorry.

Baroness Bowles of Berkhamsted: You could write a letter to somebody alleging that they were the primary infringer. That could be because you thought they were but there was a mistake, or because you were trying to be sneaky and thinking that you could avail yourself of an exemption and threaten somebody, which was an example I gave at Second Reading because it is a real-life example.

Justice Birss: I think I am right in saying—if not, I will be corrected—that that example would not take the advantage of the defence. If your letter purported to accuse someone of being the primary infringer but they were not and were not purporting to be, you would not fall within Section 70A(4).

Baroness Bowles of Berkhamsted: So you would be threatening? You are happy about that. Robin?

Professor Sir Robin Jacob: Yes.

Baroness Bowles of Berkhamsted: I suppose that nothing can be done for the actual primary actor who is threatened under some very dubious or weak IP. That is just hard luck, is it?

Professor Sir Robin Jacob: For the trademark bully, probably their best shot is going to the Daily Mail. It happens very much in trademarks. We all know cases of it over the years. Often that is the way it has been dealt with—a big corporation is made to look really rather tatty.

Baroness Bowles of Berkhamsted: I suppose that is if it is going after the man called Mac in the pub. This is more likely to happen in a patent case, but what if it knows that its patent is of dubious validity, not least because it has amended it in another country and that kind of thing, yet it still comes and threatens, when it has amended it elsewhere in the world so it must know about the prior art.

Professor Sir Robin Jacob: Yes, in an even more extreme example it knows perfectly well that the patent is invalid for instance because it publicly prior used the invention. This does not really deal with that. It is really moving on to a different kind of potential tort, which is something like an action for the damage caused by a wholly unmeritorious civil claim. I believe the Supreme Court has given a decision recently that says in effect that you can have an action to that effect. I may have got it wrong. It passed before my eyes briefly. This is not just in IP but generally, whether you can have the tort of malicious civil suing.

Baroness Bowles of Berkhamsted: Without the same level of malice as was the problem back in the 1880s?

Justice Birss: The other observation I have, from what you have described, is assuming that someone is prepared to do something about a malicious letter. In the armoury of IP law, threats are one of the key remedies that are available. Also, you can bring declaratory
actions. If there has been a threat, the court has a well established jurisdiction to hear a declaratory action, and of course you can take the initiative and sue to revoke. I am not suggesting that it is a panacea, but the person aggrieved in those circumstances has the remedies there.

**Baroness Bowles of Berkhamsted:** But they do not get damages. They would get only costs.

**Justice Birss:** In principle, you can get damages for threats.

**Baroness Bowles of Berkhamsted:** For threats, but it is not a threat if they are the primary actor.

**Justice Birss:** No, you are right.

**Baroness Bowles of Berkhamsted:** So if they go for either revocation or declaration of non-infringement, they will get their costs for the action, which will be less than they spend, and they will not be able to have any damages because it has put off their customers, whereas if they could bring a threats action under a new tort because it was so bad that it was an extreme case, they would also get damages. The hole is still there.

**Justice Birss:** That is true.

**Professor Sir Robin Jacob:** There is another point on that. I asked Sir Colin but he cannot remember a case where anybody has ever collected significant damages having succeeded in a threats claim. Because there is nearly always a response to a threat, the threatene now has the initiative and will go to court, sometimes for an interlocutory injunction to restrain threats, with a claim declaration of non-infringement and revocation of the patent. He may suffer damage, but the damage is likely to be because of the uncertainty of the action itself. As far as third parties are concerned—all they know is that a patent action is going on and they may not buy the product because they do not want a product that is going to be taken off the market. That is the inevitable damage caused by a patent action itself.

**Baroness Bowles of Berkhamsted:** So you are saying that there is not a direct enough link to the damage for it to qualify for damages. Could the court not fix that?

**Professor Sir Robin Jacob:** Well, it is difficult because you are looking for what has caused the damage.

**Baroness Bowles of Berkhamsted:** If the threat had not been there, none of it would have happened.

**Professor Sir Robin Jacob:** Well, these are hypothetical facts. All I am saying is that nobody has collected significant damages that I know of for threats—ever.

**Justice Birss:** I agree with that. There are two things I will say, though. Of course, most of those cases settle. I am comfortable with what Sir
Robin and I are saying. I do not think they have ever collected substantial damages in court, but I would not be at all surprised that if in a settlement you see some payment somewhere but the judge never sees it. But it is never going to be large or they would have come to court about it.

The other aspect is that for some, at least, of what you are describing, dare I put in an advertisement for the IP Enterprise Court? It is really important that in this country we have the ability particularly for SMEs to bring these cases on pretty quickly. I am not naive. It does not cost nothing, but it makes a bit difference to their ability to defend themselves, which is new compared to the position 40 or 20 years ago.

Baroness Bowles of Berkhamsted: One of the flaws in the threats actions as was, which was pointed out in the original documents, is that threats actions have been used in order to choose the court and at times maybe remove that option from the SME. Do you think that what is being done here with the permitted communications is likely to have mended that problem?

Justice Birss: I think that the permitted communications are a good thing. I am not sure they mend that problem. I am not sure that that problem is a problem so much today. One important thing about having the two courts now running side by side is that the rules on transfer are actually quite effective and clear. As far as I am aware, appropriate cases are transferred both ways and inappropriate cases are taken out of the inappropriate court. It actually seems to be working pretty well.

Baroness Bowles of Berkhamsted: So forum shopping is to some extent solved?

Justice Birss: Yes, absolutely—in the UK.

Baroness Bowles of Berkhamsted: Yes, you still have the rushing off to a different jurisdiction, even within the UK between Scotland and England, but I will leave that. That is all I have on question 2.

We could seamlessly sashay into the next one, which we are probably part way through. Once this Bill is enacted, will the law on unjustified threats strike a reasonable balance between, on the one hand, covering the ground and, on the other, being simple to understand and straightforward to apply? Will the revised law be workable? I have been quizzing you about that. Perhaps you would like to add further comments. In the evidence from the judges in 2013, you said it was difficult to draw tightly drafted, prescriptive rules, and the more detailed they were, the more complex everything became.

Justice Birss: I do not really have anything to add. I am reiterating what I have said already. The problem is that the facts are complicated. You can come up with circumstances where everyone can agree that something is one side of the line and you can come up with different circumstances, which are actually awfully similar, where everyone agrees that it goes the other side of the line. But I do think this is workable.
Baroness Bowles of Berkhamsted: Sir Robin, you think the courts are able to take account of the surrounding circumstances.

Professor Sir Robin Jacob: Section 70B(3) enables the court to do just that. Basic rules are set up: you can write to the primary chap; within limits, you can write to a secondary person if you want to know who the primary chap is—you have to write a civilised letter, in effect. There are things that you cannot put into that letter, but there are going to be circumstances, which is why you need subsection (3) in some form, for the court to say, “This won’t do” or “This will do”.

Baroness Bowles of Berkhamsted: That is quite encouraging, actually. I would quite like to look at what was originally question 17 of the Law Commission consultation concerning what assertions about the right should include: that the right exists; that it is valid; that it is in force; details about the right, the specification and so forth; and details about the alleged similarities. I think the answers were mainly yes to everything except the similarities between infringements, because that was a matter for the person receiving the letter. The way that was phrased, it was almost as if all those things should definitely be included, whereas the way the permitted communications are phrased it is optional; for example, you do not actually have to say that your patent is valid or that you believe it to be valid. If you go to the permitted communications, you have to have good faith, but I am just wondering whether these should be requirements rather than options.

Justice Birss: Instinctively I would say no, because you are trying to require the person writing the letter to make statements about their stated belief about the patent being valid or not. The Americans have a doctrine that is a little similar to that, which causes all sorts of cost and litigation in America, where you have an argument that they have no good faith. You get triple damages. I cannot remember how that works.

Professor Sir Robin Jacob: You get it for wilful infringements.

Justice Birss: It is the other way round. By trying to require the parties to make statements and prove things about their stated belief of the merits of their claim at the beginning, you create satellite litigation. That is really what I am worried about.

Baroness Bowles of Berkhamsted: Right. Quite a few of the respondents thought that even if you did not have to state it, you should have that belief. Perhaps we can explore that later on. Is there anything else you wanted to say about this?

Professor Sir Robin Jacob: Anything to do with beliefs, I am against. It just leads to applications for discovery and claims for privilege. You can see it all happening.

Baroness Bowles of Berkhamsted: Good point. Moving on, do you think that this Bill will improve, or worsen, the problem of overaggressive tactics being pursued by legal advisers? What about the problem of
threateners or their legal advisers acting in bad faith? To some extent, we are halfway round that already. Have you any further thoughts?

**Justice Birss:** First, this really is straying into policy, and as a sitting judge I am not sure that I can comment on whether or not the Bill should exempt legal professionals. That is going too far, from my point of view. If the law is going to include an exception like this, I can see how it makes sense, but I am not sure I can help you that much. I know Robin has strong views about this.

**Viscount Hanworth:** Perhaps I might interject here. You said two things. Almost uniquely, you are against removing the professional liability of advisers, yet you also assert that you have never seen a case in court where a cowboy has been challenged.

**Professor Sir Robin Jacob:** Oh no, I have seen cases of bullying letters.

**Viscount Hanworth:** You are saying that the liability of professional advisers is a salutary restraint on cowboy lawyers.

**Professor Sir Robin Jacob:** Of course, you cannot prove it.

**Viscount Hanworth:** You are suggesting that. You also said that you have hardly seen a case of a cowboy lawyer being sued for whatever transgression.

**Professor Sir Robin Jacob:** It has held them back, to some extent. They know they can be sued and it has held them back, but I have seen the letters.

**Viscount Hanworth:** So there is evidence.

**Professor Sir Robin Jacob:** There are very few threats cases. There are some in IPEC, but over my career I do not suppose that I saw more than half a dozen threats cases, if that. There are some in IPEC, that is true, but even then it is the not the majority of the work of IPEC or anything like it. It is the odd case.

**Viscount Hanworth:** The report makes a case for removing the liability that arises for threats on the basis that some small and medium-sized enterprises are liable to be asked by the lawyers for indemnities against possible litigation. I will read this; it is quite lengthy: “A threat of infringement proceedings may be made by any person whether or not they are the proprietor of, or have some other interest in, the intellectual property right. The upshot is that a legal adviser or attorney may be sued in their own right for making threats”—we understand that—“even when acting on their client’s instructions”. Actually, that is not the right passage. “The adviser may be reluctant to act or may have to seek an indemnity from the client in case they are sued. This adds complexity, stress and drives up litigation costs”. In other words, the removal of this liability for threats would reduce the costs of small and medium-sized enterprises. That is what is being asserted in this text. You are saying that this is not an issue.
**Professor Sir Robin Jacob:** Well, if it an issue, I have never come across it. I used to act for little guys as well as big guys when I was at the Bar, and I never came across it. On the whole, it all seemed to work quite well. If it works, why fix it? That is what I am saying about this.

**Viscount Hanworth:** You are also saying that you would expect lawyers to make this case anyway; they would say that, wouldn’t they?

**Professor Sir Robin Jacob:** Yes.

**Baroness Bowles of Berkhamsted:** It should not be such a concern when you are writing to the letter to the primary infringer, because it is a general exemption. If you have to write to the secondary people, it certainly exercises the mind. On the bad faith issue, given that some lawyers advertise their aggressiveness as a selling point, would having more guidelines or rules from the professional institutes help matters? Do those regulatory bodies have the power to intervene in that way? That might be off your area, I do not know.

**Professor Sir Robin Jacob:** I do not know what the rules are. They have changed them every few years.

**The Chairman:** We do not know either at the moment, but we are going to ask people, particularly the Law Commission, what, if any, rules there are and the extent to which they are being enforced. This is a protection. Whether it will be sufficient is another matter altogether.

**Viscount Hanworth:** Do others acting as agents not have some sort of insurance that would cover them anyway against a case that they were making unjustifiable threats?

**Professor Sir Robin Jacob:** They may have. Again, I do not know. You may not be able to insure yourself against things that you are doing deliberately.

**Viscount Hanworth:** I would have thought that there was general cover against litigation for—

**Professor Sir Robin Jacob:** Normally, but in short I do not know enough about it. There is insurance against negligence, but this would not be a question of negligence.

**Baroness Bowles of Berkhamsted:** It could be, could it not? That is the other side of it, surely: that even if you are exempted—and let us say that a threat is issued, your client wanted you to write something and then they are sued—they may still come on you for negligence.

**Professor Sir Robin Jacob:** Yes, if you give them negligent advice. One major firm of solicitors I used to work for had a rule that they would not write any letter before action in any litigation without standing instruction from their client that if they did not get settlement or whatever they would sue. They would not write blustering letters. I hope they still hold that opinion.
Baroness Bowles of Berkhamsted: I think more than one firm has done that. What level of proof do you think the adviser has to have that they had consent? For example, quite often the adviser would send a letter to a client saying, “Do you approve? Do I send this letter?” Clients vary. Some may say, “Ooh, that’s a bit tough. Can you soften it up?”, or “I know this guy. He’s been our competitor for years. Can you turn the screws a bit more?” How do you prove the level that the client wanted so that the adviser is not open to the accusation that they went further than the client had authorised?

Professor Sir Robin Jacob: It is not a question of going through the client. I imagine they normally show the client the letter before they send it.

Baroness Bowles of Berkhamsted: And that is the be-all and end-all?

Professor Sir Robin Jacob: That would be it as far as they were concerned.

The Chairman: Sir Colin, you wanted to come in on this.

Justice Birss: If it helps a little. As I said, I really do not think I can comment on whether the law should or should not exempt lawyers, but what I can say, to help Viscount Hanworth, I hope, is that one of the things, which I have seen relates particularly to small firms of patent attorneys—and sorry to come back to the IPEC again, in the enterprise court. That court allows smaller patent attorneys and patent attorneys generally to represent their clients because they are often cheaper. I have certainly seen them dropping out of cases because of an allegation of threats that has also been made against them. You might say that they were being—I will use the term “lily-livered”, and a more robust firm of City solicitors might not have been scared off because they know the way the world is and they know that in the end a conflict between them and their client will never get anywhere. The advantage of the patent attorneys is that they are experts in their IP law but on the other hand they are not seasoned litigators. That does happen, and that is bad, because the SMEs then have to go for more expensive advice. Is it common? No, not at all, but it has happened.

Viscount Hanworth: So you are validating the point that has been made by the Law Commission.

Justice Birss: In terms of evidence of something taking place, yes, that is right.

Viscount Hanworth: Another issue, which arose from some of the evidence that was given to us, is whether or not a lawyer acting with complete initiative given to them by the firm—because after all that is your job: to look after litigation—would effectively be defended by this business of removing liability for acting on clients’ instructions. They have been given a general remit to act without very much instruction from the client. They are in-house lawyers. Who would they be protected by under
Justice Birss: It is important, if it is going to cover an in-house lawyer—and my sense of the drafting is that it does—that that does not mean that somebody cannot sue their employer: in other words, the company they are acting for, which is their employer. I do not believe that it does that, but it is important that this defence, if it is to exist, is only for the lawyers. If you are just an in-house law department, the company still has to be able to be sued.

Lord Lucas: You mentioned the copyright abuse that I came across as AC law. The particular reason for the lawyers getting involved in that was the need for them to go for the Norwich Pharmacal order. Under the current version of AC law, the lawyers go for the Norwich Pharmacal order but then get their employer to write the abusive letters so that they do not get caught by the SRA rules. Are we dealing here with anything where the lawyers have a function that could not be performed by an individual or a trademark owner acting on their own? Is there something like getting a Norwich Pharmacal order? Do you ever see litigants in person in this business, or does everything go through? Is there any reason why, if there is an abusive letter to be written, it cannot be done by the lawyer? Is it something that a lawyer has to do?

Justice Birss: No, it is not. We can all write an abusive letter, but almost all the cases that we are considering involve letters written by some kind of lawyer, because the fact that it is a lawyer’s letter is part of the point of it; you are trying to intimidate the recipient by writing a letter from a lawyer, not just from the company. Literally because it is from a lawyer, a law firm or whatever, it is more intimidating. That, I would say, is almost all of them.

Professor Sir Robin Jacob: That is one of the major factors. The cowboy lawyer’s letter is a more powerful letter than the cowboy client’s letter.

Justice Birss: I am a bit concerned. I had not heard what you just described about the Norwich Pharmacal thing.

Lord Lucas: Might I write to you about it?

Justice Birss: Sure. I would be very interested.

Lord Lucas: Thank you.

Baroness Neville-Rolfe: Do you think the Bill will make it cheaper to engage a legal adviser, or reduce the number of cases litigated? That would be good. Will it make it easier for small businesses to contact alleged infringers? Most importantly, will it help SMEs subject to unjustified threats? I was glad to hear the point Sir Colin made about the usefulness of IPEC, which I certainly agree with. I am interested in ensuring that this is producing better value for money and helping SMEs. What are your views on that?
**Justice Birss:** Candidly, will it make it cheaper? I guess a little, but I cannot imagine that it is going to make a big difference to costs. The improvement comes from making the law a bit clearer and more coherent, and by facilitating communications. On the communication part—the permitted purpose, all of that—I hope I do not sound naive, but one might hope that more facilitated communication before litigation began would mean that at least some cases did not go to court or at least did not cost as much when they did get to court.

**Professor Sir Robin Jacob:** I agree. Overall, this is not going to make a lot of difference to the costs of litigation and so on. If there is going to be a fight, there is going to be a fight.

**Baroness Neville-Rolfe:** The SMEs in particular?

**Professor Sir Robin Jacob:** That is actually a separate question. Will it help SMEs subject to unjustified threats? No. I cannot see any way in which it would. They can take action a bit more than they could before—actually, maybe a bit less than they could before. It is not going to make a significant difference. It is just going to make the thing work a little better. That is the overall effect of this Bill.

**Baroness Neville-Rolfe:** Does that not help SMEs more than bigger companies, on the basis that they do not have the same sophisticated back-up?

**Justice Birss:** It helps SMEs because this whole law helps SMEs, so making this law better is better for them. They are really the constituency that this law is aimed at.

**Baroness Bowles of Berkhamsted:** So it helps eliminate the accidental threats, which may be more likely to have come from SMEs?

**Professor Sir Robin Jacob:** Yes. Under the old law, good solicitors never bothered. They were not involved. They never wrote threatening letters. They just started the action and got on with it. It was a trap, the law of threats. This is a very old law. Before, in patents, we could not write even to the primary infringer. The naive, inexperienced solicitor would get his client to write a threatening letter. This largely gets rid of quite a few of the traps, because the natural people you want to write to you will be allowed to write to.

**Baroness Bowles of Berkhamsted:** I went round this a little bit before, but do you think that the permitted communications will give rise to more opportunities to threaten, or is that fanciful?

**Justice Birss:** I do not think so. I do not think it creates more opportunities to threaten in a bad way, let us say. It is a good thing, because it allows people to properly communicate.

**Baroness Bowles of Berkhamsted:** In some circumstances, might there be a case for there to be standardised letters? This is where we get into the more complicated area of online infringers and the way in which
some technical companies will trawl the web for infringements, and then it is a kind of one-stop shop where they scour the web, find the infringement and then automatically send off the letter saying, “You are infringing our X”. It is most likely to be trademarks or passing off, but it could be design or other things. These tend to be not done by lawyers, so they would not be protected in any way if it was wrong. Do we just have to leave that as it is? There is some clamour for them to be included in the exemption.

**Justice Birss:** I would not include them in the exemption. That kind of thing can cause real damage. The rationale, at least as I understand it, of having an exemption for lawyers is to do with the conflict that it creates between the lawyer and their client. The example you just gave does not have that rationale at all.

**Professor Sir Robin Jacob:** I agree.

**Q21**

**Lord Stevenson of Balmacara:** The question has probably been partially answered. Should the current provisions on unjustified threats be replaced with a new tort based on unfair competition? I think you have anticipated that rather successfully by saying no. Let us record that. Perhaps we could develop what you are saying. On the one hand I am hearing you say, “Don’t get worked up about this. This is an important but very small change”, but actually the bigger change is the clarity that is coming from this idea that there will be flexibility in the court where the interests of justice are concerned. That is probably what you were trying to get at by saying that there ought to be a broader approach, giving those who are hearing the case and those who are in charge a little bit of flexibility to make sure that justice is being seen to be done. I assume that is right. Do we not need to know a bit more about what we mean by the “interests of justice”? Perhaps you could give us a few phrases about that.

**Professor Sir Robin Jacob:** I regard that as the court, looking at the circumstances of a particular case, saying, “Well, this was a reasonable letter in order to get this problem solved or properly litigated”, as the case may be. It was not a bullying letter and it would depend on the wording and the commercial circumstances. It might even have the same letter in one case being okay and the same letter in a different case not being okay.

**Lord Stevenson of Balmacara:** It is not tying the courts to a particular formulation, it is standing back a bit?

**Professor Sir Robin Jacob:** Yes. The judges are pretty good at getting this sort of thing balanced well. I think they would welcome that bit of flexibility and it would make this whole provision work better. At the moment all the threats are black and white: either it is a threat that is allowed or it is not a threat that is allowed. There is nothing in between, and here there just could be: “In the circumstances, this threat did not really matter”. It is difficult to work out the circumstances—this is the
whole trouble of going too far down the road of trying to set everything out in a statute. This is a way of avoiding doing that.

**Lord Stevenson of Balmacara:** Perhaps I might pursue this a little. Your example was where the facts of the case drove a conclusion in one set of circumstances and was slightly different in another. I understand why you want to say that, but what is behind that motivation? In a previous evidence session, we were told by a Law Commissioner that basically what they were looking for was a fair result. Is that what you are asking for? Does your sense of the term “justice” equate with fairness?

**Professor Sir Robin Jacob:** The wording is a bit too tough—“if necessary in the interests of justice”—someone is always going to say that it was not necessary. That may be too tough.

**Lord Stevenson of Balmacara:** My question was really about the jurisprudential nature of this. Are we looking for fairness?

**Professor Sir Robin Jacob:** Yes, we are.

**Lord Stevenson of Balmacara:** You would be happy with that formulation?

**Professor Sir Robin Jacob:** Yes, I would be happy with “fair in all the circumstances”.

**Lord Stevenson of Balmacara:** Necessarily fair. We will not try to draft it here. I have a final question; my colleague is trying to get in. The other bit of evidence I wanted to remind you of, because I am sure you have read it, is that we were told by the Law Commission that it saw this Bill as an evolutionary step. That sort of suggests that we are going somewhere, but you are saying, “Actually, you don’t need to go very much further. It is a small issue with ‘necessary in the interests of justice’ being part of that process. We have probably got as far as we can”. Is that right?

**Professor Sir Robin Jacob:** Yes. I have never heard of an evolutionary Bill before but there you go. You fix what you are going to do in the Bill. Your question has provoked me slightly. “Necessary in the interests of justice” might be too strict a test, because it is very difficult to say anything is necessary. It might be sensible, it might be reasonable, but necessary is not the same thing.

**Lord Stevenson of Balmacara:** I am sure Baroness Bowles will want to come in on this. We are aware that the Paris convention is behind a lot of this. In some senses, Brexit and all that slightly muddies the waters. If the evolutionary process was to bring us closer to our current position in relation to the Paris convention, that would be unexceptional and one could understand that. But if evolution is going to stop because the Bill has now reached a perfect state and it cannot be developed, we might want to think about that later. That was my point.
Viscount Hanworth: Can you comment on how well or poorly a tort of unfair competition works in other jurisdictions, particularly within the European Union?

Professor Sir Robin Jacob: “Unfair competition” is a very woolly expression. What some people think is unfair other people think is perfectly fair. Traditionally there has been a significant difference between the intellectual property law, particularly copyright and trademark law but to some extent patents, of the civil law systems of continental countries and the UK attitude. There was a spectacular case involving L’Oreal. I got very cross in the Court of Appeal about a decision that said that you cannot tell truly that a copy perfume is a copy of the famous one, even though it was an accurate copy. That was seen as unfair. I think it was fair. Different countries have different views. This idea that there is continental view is itself wrong. German unfair competition law is very wide. It got so wide that they had to have an Act 10 years ago to cut their unfair competition law down. The judges were saying that lots of things were unfair.

Judicially, I have said that I am agin it. If we were to go down that route, we would be starting a whole new jurisprudence of IP. For example, in patents we say that you can infringe a patent only if you fall within the claim as construed by the court. Other countries say, “Oh no, you can have something called a doctrine of equivalence, which is unfair; he has come too close”. Lord Reid called it sharp practice. He was rather in favour of such an idea.

Viscount Hanworth: I notice that the distinction between primary and secondary infringers is absent from most European jurisdictions. It is absent from Australian and New Zealand law—I think even Canadian law. Can you comment on that? Are they lacking something that should be there, or do they have some other means of making a necessary distinction?

Professor Sir Robin Jacob: Originally, of course, we did not have that difference. When I came to the Bar we had Section 65 of the Patents Act 1949, with predecessors going back to 1883. That meant that you could not write to anybody at all. All you could do was write to say, “I wish to tell you that I own patent number so and so”, and if they wrote back saying, “Why are you telling me this?”, you could not answer. It was thought, 20 years ago—whenever the patent law was changed—that it made sense in the modern litigation world - that you can write to somebody and say, “Look, you are infringing my patent. You are the main man”. That has worked. Whether other countries are still picking up the old rule, I do not know. You would not need it on the continent, because as part of its general idea of unfair competition the court will say, “Well, who have you written to? If you are writing just to the chap’s customers but not to him, that looks pretty unfair to us”.

Viscount Hanworth: So they give themselves a huge discretion.

Professor Sir Robin Jacob: It is a much wider discretion.
The Chairman: Sir Colin, do you want to add anything?

Justice Birss: No, I agree entirely with what Sir Robin has said.

Baroness Neville-Rolfe: I have a question that follows on from the conversation we have been having about “necessary” and unfairness. I have studied a lot of legislation in my career as a civil servant, then as a businessperson and now as a Minister. One problem with legislation is that it often picks up what I call perverse effects: things that you do not think of end up on the statute book and perhaps get interpreted by the courts. My question, in the light of the discussion we have just had, is: are there some perverse effects in this Bill? If so, perhaps you could give us the benefit of your advice. Equally, the Law Commission process is designed to try to avoid that, and I am a huge supporter of it, but this is too good an opportunity to miss.

Professor Sir Robin Jacob: The point about unintended consequences is true. I cannot see any at the moment.

Justice Birss: Me neither.

The Chairman: There may of course be unknown unknowns.

Professor Sir Robin Jacob: We are in that area, are we not?

Baroness Bowles of Berkhamsted: Going back to the interests of fairness and justice, the patent judges’ collective response to question 30 of the consultation was that you thought there could possibly be a new tort but you construed it narrowly—it was still going to be within the sectoral legislation in some way. You said: “In that event, consideration should be given to whether the tort should be confined to registered rights or should extend to all IP rights”. You were not thinking in terms of a general unfair competition thing that would have extended across every aspect of business, which is one of the reasons why the Law Commission said that it would be terribly complicated to do. In that narrower sense, we are back to whether one could have sneaked in a few extra bits of wording, other than what is in Section 70, to blow a little bit more life into the power of the court to make that interpretation, or whether we could make that clearer by putting something in the Explanatory Notes about Section 70 so that it operates in the way that Sir Robin has said.

Justice Birss: Speaking for myself, what is neat about Section 70B in its current form, subject to the details of “necessary” and the like, is that what the Law Commission was trying to do was strike a balance between being specific and leaving some wriggle room, which seems like a neat way of doing it. I do not have in my back pocket another proposal to give you to achieve that objective.

Baroness Bowles of Berkhamsted: I just want to make it quite clear that the wriggle room really is there.

Justice Birss: Well, I think it is.
**Professor Sir Robin Jacob:** Yes, I think “necessary” is too tough. I had not picked that up before, I am sorry. A court could say, “However reasonable it was, it was not necessary”. It does not make sense to have a provision as tight as that.

**Lord Stevenson of Balmacara:** I think the last question is the reverse of where we have got to. In the responses that you have heard today or any of the evidence you have seen, are there any other amendments that should be included? I think your answer is probably no.

**The Chairman:** One of the amendments is that you have grave doubts about excluding the liability of lawyers. If there are any others, we would be very interested to hear from you. As I said earlier, we will be writing to you, so you will have a chance to look at changes proposed by others. Sir Colin, does anything immediately come to mind by way of amendment to the Bill as presently drafted?

**Justice Birss:** There is nothing like that. If you are going to write to us, that is the simplest way of dealing with it. I have been through the various written proposals and some amendments seem sensible; a couple perhaps do not. We can discuss this now if you like or I can put it in our written reply to your letter. I am in your hands, really.

**Viscount Hanworth:** Is the Bill sufficiently transparent?

**Justice Birss:** Blimey. Truly, of course it could be more transparent, but I cannot imagine how to do that. The law is notoriously not transparent. This is a good effort but, you know.

**Viscount Hanworth:** I have a particular bugbear. I am a mathematician and one thing that is absolutely forbidden in mathematical texts is forward referencing, which abounds in this Bill. Have you heard criticisms of that, or do lawyers tolerate that?

**Justice Birss:** That is pretty common, I think.

**Professor Sir Robin Jacob:** I sympathise with what you are saying. This is a hugely long Bill about what you can and cannot put in a letter and who you can write it to.

**Viscount Hanworth:** It takes longer to read the Bill than it should.

**Professor Sir Robin Jacob:** There is a huge amount of overlap, because it has separated patents, trademarks and designs. A lot of it is repetitive.

**Viscount Hanworth:** That is fine but the structure of the exposition leaves something to be desired.

**Professor Sir Robin Jacob:** I am no parliamentary draftsman, so I do not know. I will cop out of that one.

**Lord Lucas:** Picking up the point made by the BBC in its submission, for effective action against people bringing in consumer products that may be legal elsewhere but are infringing here, it can be extremely difficult to
identify who is playing what role. By and large, the big marketplaces provide an automated means of communication, which would not appear to be compliant with new Section 21C(3), where there is a requirement when you write to someone who may be a secondary infringer to say what action you have taken to try to identify the primary infringer. If that is not provided for in the automated procedures provided by eBay and Amazon, is it reasonable that we require it in UK law?

**Justice Birss:** That raises quite an interesting issue. I do not want to misunderstand what the BBC said, but if it is saying that these automatic systems should be made exempt by definition—

**Lord Lucas:** No, I do not think it is providing an answer.

**Justice Birss:** If that was what it was saying, that is not a great idea. Again, from experience—threats tend to be in IPEC and the Patents County Court—I had of couple of cases where that procedure was being used in a way that is exactly what the threats law is there to stop. Certainly, one would not want to exempt those systems just because it is inconvenient or something.

**Lord Lucas:** But if you have done the work to try to identify the primary person but have no means of communicating that, would that be a reasonable defence?

**Justice Birss:** As I understand it, the defence is in already that if you cannot communicate with the primary infringer, you can write a permitted letter to the secondary infringer.

**Lord Lucas:** But it is only a permitted letter if you tell the secondary infringer what you have done to try to identify the primary infringer.

**Viscount Hanworth:** You have taken the steps.

**Justice Birss:** Oh I see. The point is that eBay will not let you put that in. Maybe there needs to be a saving to say that, if it is not possible for you to have put that in. Then, I suppose, I can see that there is a point.

**Lord Lucas:** There is no way of getting at these people other than through the eBay procedure.

**Justice Birss:** I see that. I do not have a drafting proposal for you in my back pocket. Neither did the BBC, I notice.

**Lord Lucas:** It is a reasonable point.

**Justice Birss:** The point makes sense, but, again, I would be wary of a draft that went too far the other way and simply excluded that kind of thing altogether. That would be unfortunate. It is a place where SMEs can get damaged.

**The Chairman:** The Division Bell is ringing, which means that we have to adjourn for 10 minutes or so, but I think we have come to the end of the questioning, so on behalf of the Committee I thank you very much for the
invaluable assistance you have given us this afternoon. I hope you will be giving us more in the form of responding to the proposed amendments. Thank you very much indeed. I formally adjourn the Committee.
Written evidence from Professor Sir Robin Jacob

I stand by what I said to the Law Commission which they included in their report

“1.45 One member of the working group, Professor Sir Robin Jacob, has throughout the project voiced strong opposition to the evolutionary model of reform. Nor did he support the recommendation that a professional adviser should not face personal liability when acting in a professional capacity and on instructions. Instead he thought that the risk of personal liability is “a healthy restraint on cowboy (and other) legal advisers – of whom there are lots out there”.

1.46 Professor Sir Robin Jacob’s full consultation response is available on our website, as is every other response. He has also asked that we publish the following comments, which we are happy to do.

I consider [the Bill] extraordinarily elaborate and complicated. It is not the right solution and in its present form should be dropped. I remain of the opinion that something much simpler – along the nature of “abusive communication” would be enough. Tinkering with this will serve no useful purpose. There is no hurry – threats of IP infringement proceedings are far from top of the problems in the IP world. I am saying this now so no one ever thinks I thought it was a good idea.”
Note on further question and on amendments proposed
Prof Sir Robin Jacob and The Hon Mr Justice Birss

2 November 2016

In this note we address the further questions posed by the Committee as well as the various amendments proposed by others.

**The question about 70B**

We believe “may” is correctly used in (5) rather than “shall” because the sub-section is setting out a list of examples which will not necessary apply in any given case. That would also explain why (5) refers to “a” permitted purpose. While it is hard to imagine how any of the information in (5) (a) or (c) could ever be unnecessary, the expression “details of the patent” in (5)(b) is general. If that was covered by the word “shall” it could create difficulties.

**Our own comment regarding s.70B**

As emerged during own oral evidence, we think there is a problem with s.70B(3). It currently reads:

(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

The problem is twofold: “necessary” and “in the interests of justice.”

“Necessary” is a very tight standard indeed – a communication may be reasonable, even desirable but not come up to that standard which conveys the notion of essential.

As to the “interests of justice” we doubt this is the right criterion. We are talking about an IP right holder writing to someone who is not a primary infringer (maker or importer). There is no litigation in existence though it is in prospect. It is not clear what “the interests of justice” means in this context.

We believe it would substitute “necessary etc.” with “reasonable in all the circumstances.” That would allow sufficient room for the judges to permit sensible letters in the (likely to be rare) cases not already provided for. Past experience shows that the Judges are well aware of the danger of threatening letters to people down the chain: there is no prospect of such a provision being interpreted so as to allow oppressive conduct.

There would need be consequential amendment to s.70B(5) –an incidental consequence would be that the “may”/”shall” point would disappear anyway.
**Proposed Amendments and Comments by Others**

Our comments on the proposed amendments are set out in this table:

<table>
<thead>
<tr>
<th>Proposer</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Law Society and IPLA</strong></td>
<td>The removal of “solely” from s70B(1)(a) was discussed before the committee. We have nothing to add.</td>
</tr>
<tr>
<td><strong>CIPA</strong></td>
<td>CIPA’s proposal was also discussed in the 24th October evidence session (p25). In Baroness Neville-Rolfe’s letter the Government does not support the proposed amendment to define specific regulatory bodies. We doubt the ad hoc example given in evidence would be found to be a “regulatory body” within the terms of the bill and we tend to agree with the Government’s position on this.</td>
</tr>
<tr>
<td>purports</td>
<td>This was also discussed on 24th October (p25). The Government suggests the amendment creates a risk of satellite litigation but we doubt that. However we do agree that the proposed amendment to s70A(4)(a) risks blurring the distinction between primary and secondary infringers.</td>
</tr>
<tr>
<td>equivalents</td>
<td>We do not support the proposal to amend s70(4)(b) by reference to products or processes with the same features. Moreover the scope is not clear.</td>
</tr>
<tr>
<td>new s21A(2A)</td>
<td>We do not support the proposed new s21A(2A) because it is too complicated. The drafting is also inadequate (“clearly evident”). Nor is it clear that the case the proposal is trying to deal with would be a significant problem.</td>
</tr>
<tr>
<td>S70E</td>
<td>We agree with the Govt that this is a drafting point however that is not a reason not to make the amendment. 70C(3) should be excluded from 70E as the draft suggests. We support the proposal and also CIPA’s points about clause 4 and 6 and the proposed amendment to s2E for trade marks.</td>
</tr>
<tr>
<td><strong>BGMA</strong></td>
<td>We do not agree with the deletion amendment proposed by BGMA to s70B(1) for the same reasons the Government advance in Baroness Neville-Rolfe’s letter on this. We agree questions relating to communications between rights holders, doctors and pharmacists in pharmaceutical patent cases are significant but we do not see this as an issue concerning this bill and we note the BGMA does not propose any amendments.</td>
</tr>
</tbody>
</table>
**BBC**

The points concerning in house advisers and the VeRO system were discussed before the committee. We have nothing to add.

**Creators Rights Alliance**

No amendments to the bill are proposed.
Special Public Bill Committee

Intellectual Property (Unjustified Threats) Bill

Corrected oral evidence: Intellectual Property

Monday 24 October 2016
3.10 pm

Watch the meeting
Members present: Lord Saville of Newdigate (The Chairman); Baroness Bowles of Berkhamsted; Viscount Hanworth; Lord Lucas; Baroness Mobarik; Baroness Neville-Rolfe; Lord Plant of Highfield; Lord Stevenson of Balmacara; Baroness Wilcox.

Evidence Session No. 3 Heard in Public Questions 23 - 28

Witnesses


USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

3. Members and witnesses are asked to send corrections to the Clerk of the Committee within 7 days of receipt.
Examination of witnesses

Mark Anderson, Matthew Harris and Vicki Salmon.

The Chairman: On behalf of the Committee, may I welcome our three witnesses for today’s session of the Special Public Bill Committee on the Intellectual Property (Unjustified Threats) Bill? We have today Mark Anderson, the chairman of the intellectual property law committee at the Law Society of England and Wales, Matthew Harris, member of the intellectual property law committee at the Law Society of England and Wales and Vicki Salmon, member of the council of the Chartered Institute of Patent Attorneys and a member of the Law Commission’s working group for this project. You have in front of you a list of five questions, I hope. They are by far from being the exclusive list. They are really our starter; people will no doubt offer supplementary or other questions as we work through the list. I will start by asking the first question on our list, but before I do I think Mr Anderson, at least, wishes to make an opening statement and possibly the other two witnesses may join in.

Mark Anderson: Thank you, Lord Chairman, and thank you very much for inviting us to give evidence. I hope we can help you with the questions that you have.

The heart of the IP threats legislation is about what you can say in letters. Should an IP owner be at risk of legal action if in a letter to a potential infringer he says, or his lawyer says, words such as, “We own some IP rights and are entitled to take legal action to defend our interests”? Those were effectively the words used in the Best Buy case, which the Court of Appeal held amounted to an unjustified threat under the current legislation. In any other area of law, this type of language would be regarded as commonplace in legal correspondence. But if you cannot even say that, how is an SME supposed to get the attention of a big company and start a robust conversation about settlement?

Our perspective, as members of the Law Society’s IP law committee, is that of practising lawyers who often act for small and medium-sized enterprises on IP matters. We see the problems that the current legislation creates in practice when writing routine letters and think that the Bill will provide a practical solution to those problems. We have been campaigning on this subject for 10 years. I joined the IP law committee of the Law Society in 2006, when there was already a paper on the subject before it. If I may, I would pay tribute to the former chair of the committee, Isabel Davies, and to Robin Fry, a former member, who were very much instrumental in getting this campaign off the ground in the early days. They would be sitting here in our place if this discussion had been a few years ago.

I would like to briefly mention three areas of concern, which I hope we can come back to later in the hearing. First, who is involved in asserting IP rights? The scenario of a large IP owner bullying a small company, which may have influenced the original threats legislation
in the 19th century, is somewhat misleading in the 21st century. Far more frequent, in my experience, is a small SME trying to assert its IP rights against a large infringer which may ignore it, or two large companies that are able to look after themselves. The Committee may have received information from the Law Commission about the Greenhalgh report in 2010, which said that SMEs which it contacted were more likely to be complainants than defendants in IP actions.

The second point is: who do the threats provisions actually help? In practice, they are typically used to gain a commercial advantage rather than as protection for the weak. One way in which they provide that advantage is—I am afraid that I use the cliché—by driving a wedge between an IP owner and their legal advisors.

Thirdly, what should be done? We think that the threats provisions need to be updated to reflect changes in how IP is owned and used, and changes in the general legal system of which IP forms a part. The general system encourages open and frank communications before starting litigation, whereas the IP threats provisions encourage obscure communications and a “sue now, talk later” approach. Rather than starting with a blank sheet of paper we should make improvements to the legislation now, broadly as the Law Commission recommended, and leave discussion of wider changes to another time. Thank you.

**The Chairman:** Vicki Salmon, would you like to add to that?

**Vicki Salmon:** Yes, just briefly. CIPA welcomes the Bill and the opportunity to come here and give evidence to your Lordships today. I have watched the evidence sessions so far and I realise how knowledgeable you all are in this area, so that helps us in coming to talk to you.

Patents, registered trademarks and registered designs are generally what my members are trying to help people with—they would help you to obtain these rights, such as making an application to a government department which then grants them to you, so that ostensibly you have something with a seal on it. Having then paid money to get those rights, if the client comes to us and says, “I’d now like to enforce them”, we would start sucking our teeth, looking at the threats provisions and saying “I’m sorry, I don’t want to write the letter for you”, or, “I’d like to write the letter but we can only go this far and we need to go through the risks”. There is an issue in that area, particularly for small and slightly unsophisticated clients.

But these rights are economic rights: generally, you are looking at a marketplace that has frequently been generated and created by the person who obtained the right. They may now wish that their right was wider than it was and forget what the actual patents, design or trademark say, so they sometimes have to be reined in when a competitor comes into the marketplace who, you can be sure, is in their view wearing a black hat and behaving outrageously. On the other hand, when people come into marketplaces they can see an opportunity. They may not have the money to do a freedom-to-operate search but launch
themselves into a marketplace because they have an opportunity. They are then outraged when somebody writes to them and says, “I’m sorry, you can’t do that”.

With many economic disputes, the parties already have a relationship. When it comes to patent or trademark infringement, they may have no relationship at all so you have to write a letter which at least gets attention and sends a smaller company to get some legal advice, so that you can then open up and have a discussion. But if there is a mere assertion of a right which, as you know, has not already been through the court and is therefore wholly justified and definitely valid or infringed, you always have that area of uncertainty as to whether the threat you are making will be wholly justified at trial. You could come all the way up to the Supreme Court and find six judges with you and three against, and so lose your case. Those were some of the things that I wanted to talk about.

The ability to write pre-action letters was quite important. When we went through a system of trying to come up with some pre-action protocols—people initially wanted to do it topic by topic—the IP provisions and the ability to have pre-action protocols got completely stuck on the threats provisions. The judges said, “I’m sorry, but we can’t insist that people write letters pre-action because to do so might be a tort. If you want to write letters pre-action and therefore risk committing a tort under the threats provisions, that would be up to you but we will not force you to do it and therefore to mediate before you get to the court.” That was a big issue at the time. I think that I will leave it there. I am sure that we will cover off the other things as we go through the topics.

The Chairman: Matthew Harris, do you want to add anything at this stage?

Matthew Harris: Not at this stage.

Q23 The Chairman: Very well. Can we go on to the first question, which is very general? We have heard a lot about this but we would certainly like to hear your views, in summary at least, on this. What is the scale and seriousness of the problems with the current law on unjustified threats?

Mark Anderson: If I may start, I would make just three brief points. First, IP is obviously a specialist area of commercial law, so we are not talking about major issues as we would be if looking at, say, the legal aid system or personal injury law. Having said that, IP is a government priority, as can be seen from the recent strengthening of the criminal law against counterfeiters for registered designs and government proposals to extend these laws to unregistered design rights. These changes are meant to help SME IP owners to deal with infringers.

Within the field of IP law the threats regime is a significant problem, particularly for SME owners of IP who may be caught out by the law and find themselves on the receiving end of a threat action, or find that complying with the threats law makes it more difficult or expensive to enforce their rights. It is not a huge problem, but it is one that needs to be addressed.
**Vicki Salmon:** The only thing I would add is that every time a client says “I wish to enforce the IP rights”, you have to reach for the threats provisions to see what to say. If the Bill becomes law as it stands, even after that you will still be reaching for the threats provisions. At the moment, because of the way in which they were developed and because the patent threats were amended in 2004 in a way which has not carried through to the other rights, it means that if you have multiple rights and put them all into the same letter, you would have difficulty in writing to someone for trademark and patent infringement. You would really have to restrict that letter to a much smaller area to take advantage of the exemption. It would definitely be better, regarding trademarks and designs, to have the ability to threaten not just in relation to the act of applying or marketing—the primary acts—but with what people subsequently do with the infringing product. It is therefore much better to have a more fluid system. I think that it will improve the letters that we can write because, at the moment, sometimes what we say is so obscure as you try to fit into the permitted communications that people write back going, “Thank you for the letter. We have filed it”.

**The Chairman:** Does anyone want to add anything?

**Lord Stevenson of Balmacara:** I know that statistics in this area are a bit difficult to get at and that a lot of cases will settle before they reach trial, but could you give a broad understanding of how it breaks down across the three branches that we are dealing with? Is it roughly the same amount for designs, trademarks and patents or is there a group that takes up more legislative time than the others?

**Mark Anderson:** Are you thinking in terms of the threats provisions?

**Lord Stevenson of Balmacara:** We take the view that, as you have said, the Bill is going to do a good thing but will it apply equally across the three branches or not, given that patent law has already been reformed?

**Matthew Harris:** I think that the issues arise in all cases; in relation to all those IP rights. I think that they are known more in some cases than others. When it comes to patents and trademark law, I think that there tends to be more general knowledge of the fact that there are threats provisions out there. Perhaps there is less recognition so far as unregistered design right, for example, is concerned. But I am a litigator and in day-to-day practice, threats arguments can be thrown by either side equally, in my experience, regardless of what the underlying right is—provided that there is the legislative backing for it. So obviously it does not raise its head in the context of copyright or in the case of passing-off. But someone advising their client in relation to these issues otherwise has to take it into account in respect of every IP right. If one gets it wrong, there is a very high likelihood that the response will be, “You have done something which constitutes an unjustified threat”.

**Baroness Bowles of Berkhamsted:** Briefly, because you have mentioned passing-off, could you say something about whether
it is a good idea that passing-off is not included, given that the argument for unregistered design right was that it kind of went with the registered designs? Passing-off would seem to go quite nicely with trademarks; you would still have that schism where you can happily threaten everybody on passing-off.

Matthew Harris: Logically, that makes a lot of sense. Why have a different regime in relation to passing-off? Practically, I am not so sure that there is a real issue with inappropriate threats in a passing-off context. One hears about trademark bullies but not that often about passing-off bullies, if I might put it that way. I note that when the Law Commission went to consultation in relation to this question, there was certainly no common view expressed in response to it. I can see why there might not be that common view, not least because passing-off is a slightly different right that can arise in a broader set of situations. I think that many people are concerned about the unforeseen consequences of broadening out the threats provisions to passing-off law.

One thing that the Law Society raised with the Law Commission, which we think is a real issue, was people writing threatening letters under the guise of passing-off because they are too concerned to write a letter so far as trademarks are concerned. Our answer to that was that rather than addressing or bringing in a new threats provision, insofar as passing-off was concerned, this is one of the reasons why threats law should be reformed in the area of trademark law. If the Bill comes in in its current form, we suspect that there will be less of an incentive for people to write passing-off letters when they really want to write trademark-related letters. This perhaps comes back to a question which I know has been brought before the Committee as to whether this is the end point in a process or an evolutionary process. Perhaps we should see what happens in relation to the trademark reforms and whether or not there is still a concern in relation to passing-off, which could perhaps then be addressed at that time.

Vicki Salmon: The only thing I would add is that when design right came in with the Copyright, Designs and Patents Act 1988, the Government were creating a new species of IP right. The previous idea that copyright applied to all industrial articles had been thrown out by the House of Lords in the British Leyland case, which left a large number of articles without any protection. The design right was created partly out of design legislation and partly out of copyright legislation. I think the threats provisions came into it as reflected in designs, and that you could not bring both unregistered design and copyright actions. They were brought in at that point and when the Trade Marks Act was amended in 1994, I think that the threats provisions went into it without further thought and when the Patents Act got reviewed in 2004, the ability to use threats in the patent field was improved significantly. Those improvements have yet to come across to the other IP rights, so it is really important to improve the provisions that we have.

The Chairman: If there is nothing else on the first question, can I ask
the Minister to introduce the second question?

Q24 Baroness Neville-Rolfe: Thank you, Lord Chairman. I would like to ask each of you whether you think the Bill is a good way forward. Mark Anderson particularly suggested that it was in his opening remarks. What is also important is: will it simplify the current law, which is obviously the Government's hope despite the length of the draft? In particular, do you think that the Bill will make it cheaper to engage a legal adviser or reduce the numbers litigated? On the other side, will the Bill make it easier for small businesses to contact alleged infringers and help those SMEs subject to unjustified threats, which is obviously an objective? Linked to that, how will the proposed reform enable the better communication between the parties involved which Vicky mentioned in her opening remarks?

Mark Anderson: Absolutely yes, it is a good way forward. Maybe I can ask Matthew to give some detailed answers and then fill in with any further thoughts.

Matthew Harris: The simple answer is yes, it is a good thing—for two main reasons. With this Bill, you now have a common, coherent approach across different IP rights, correcting the historical anomalies of IP law developing in a different way in relation to different IP rights. We also think that it is a good thing because it gets rid of many of the traps that people fall into, in the context of sending out these sorts of letters, in a way that makes sense. For example, one could write to a manufacturer—a primary infringer—but then find oneself on the end of a threats action because the letter could be said technically to extend to sales. That sort of trap is addressed by the Bill.

Will it be cheaper? Well, whenever you make the law more coherent it should help in terms of giving advice. So, yes, we believe that there will be a modest saving in costs so far as advising a client in that area is concerned, particularly a client who is seeking to enforce different sorts of IP rights simultaneously. We also think that it will reduce cases being litigated because it allows a fuller exchange of information. That is the modern approach in relation to litigation. I believe that some evidence before the Committee was to the effect that in the past the advice to the client was, “Just issue proceedings”. Well, that may have been the position in the past, but we would say that it is not a particularly modern way of conducting disputes these days, and the new Bill assists that.

One has to look at the impacts on SMEs from the different points of view of an SME receiving this sort of letter and an SME which wants to send one. Taking first the SME receiving that sort of letter, in that context greater openness is obviously a good thing. There is a real problem for an SME which receives a letter saying, “Our client has these rights. Yours sincerely”, if in reality the person sending that letter is using it as a prelude to suing. It is better that the SME knows the position sooner rather than later. We otherwise think that it is marginal for SMEs receiving these letters. The reason is that, although threats law gives an important remedy when SMEs’ customers are threatened, it probably does not make much of a practical
difference when the SME is a direct recipient of the letter. Why is that? Because a threatening letter has its force precisely because of the threat of expensive litigation. The ability to say to a client who receives that letter, “You have the ability to bring a threats action in relation to that threat” is probably not that reassuring. It is saying that you can start the very action which the SME wants to avoid, particularly so when one bears in mind that it is a defence to a threats action to say that there was infringement. You are thus being drawn into the infringement action. It is like telling a person who wants to avoid a fight, “It’s no problem—you have the right as a matter of law to throw the first punch”. We would say that that is of marginal use.

So far as the impacts on SMEs sending the letters are concerned, we think that there could be far more far-reaching positive consequences. First, it is better that those SMEs can write these open letters and not unwarily fall into the traps. We also think that the change in the law so far as the liability of professional advisers is concerned will really assist SMEs, but I recognise that the Committee has separate questions on that. Perhaps we can address that in the context of those questions.

**Baroness Neville-Rolfe:** So net, it is good for SMEs.

**Matthew Harris:** Yes.

**Baroness Neville-Rolfe:** What about better communication? Do you see that as key to that benefit?

**Matthew Harris:** Absolutely.

**Baroness Neville-Rolfe:** Ms Salmon, did you want to add anything?

**Vicki Salmon:** I will largely reinforce what Matthew has already said: improved communication can only be better. Many patent and trademark attorneys are trying to keep their clients out of court but with their eye on the threat provisions, and what can and cannot be said in the initial letters, it can often make it very difficult even to get as far as discussing whether a process really uses a patented step or not. The ability to write those letters in order to find out that information without having to sue first and ask the questions afterwards will therefore be a definite improvement. Overall, you will still have to sit there and go through everything, assessing whether there is infringement and whether the rights are valid. All those steps will be taken anyway but when it comes to looking at the threats provisions, if there is a coherent body for them all so that you are not trying to dance between different sets of them, it will certainly simplify the different things you have to think about.

Lots of patent and trademark attorneys have very long relationships with their clients. Some solicitors’ firms have long relationships but sometimes the client just turns up and says, “Right, I’d like to sue now”, so you would have quite a lot of work getting to know people. But we already know quite a lot of our clients because we filed and prosecuted the applications for them. It is then much cheaper to carry on and write the
letters and to investigate whether there is something to be discussed or some licensing opportunities to be explored. Improving the ability to write letters and put in everything that you need to say is definitely a step forward.

**Baroness Neville-Rolfe:** Does the simplification come about because of the alignment of the rules in relation to all the IP rights, or are there other simplifications?

**Vicki Salmon:** You tend to pick up the Act to go through the rules but will be busy looking at different rules. If we have them all sitting in the same Act then even if they get reprinted into their relevant rules, it will be much easier to teach them as a cohesive body of law because you can go, “We’ll teach you these ones; the rest are the same but these bits change”. If you can learn just one set, that will improve things because when you are advising you would not think, “Now, which cases do I need to think about? I will have to go and research whether my memory is telling me, ‘That is what I do in patents but I have to do something different in trademarks’”. It will therefore definitely improve the cost to the client.

**Matthew Harris:** I might add that the structure helps as well with simplification. To go back to my point about the traps, it is hard to explain to a client that you can write a letter complaining about manufacturing but not about the sales by that manufacturer. The law, as proposed in the Bill, would address that problem and is more in line with what the client would commercially expect.

**The Chairman:** Does anyone want to add anything?

**Baroness Wilcox:** I get this feeling, particularly in your opening comments, that you felt that SMEs were irritating—maybe I heard you wrong—because they really did not know what they were doing. If that is the case, is there any provision that we could make for them better than what the Intellectual Property Office does now?

**Vicki Salmon:** It is all part of education. I know that the IPO has an education programme, which even goes into schools to try to help people understand more about intellectual property rights. But I think that small business has only a certain bandwidth and will always come across areas where it cannot be as expert and would like the story to be slightly different from what it is. Our job is to sit there and explain that, yes, they can get this particular trademark right but the trademark they have insisted on going for is a little descriptive. It will therefore not go as broadly as if they had invented a brand new trademark, so their rights will be more limited if that is where they want to go for. We would say, “It’s going to be difficult. We’ll do what we can for you but you are a bit descriptive. I’ve got you a registered trademark but I’m not then going to write to this competitor—actually, they are not quite a competitor. They are in a slightly different field and you want me to write a letter telling them that they can’t use your brand. Well sorry, I’m not writing that letter”.

86
Baroness Wilcox: I come from a background that did all this, so I know just how much we are like cowboys rather than schoolteachers. When we come up with an idea, we think it is so exciting. The chances are that we would employ a lot more people and everything will be wonderful, so whoever talks to us needs to understand that enthusiasm very often runs away. All the way through this, it seems that SMEs are a “Dear Them” but the truth of it is that these small companies are the future companies of our country. It is very important that they do not feel that they are inappropriate people to work with people like yourselves, who know so much.

Vicki Salmon: I beg your pardon, Baroness, if that is the impression I have given. Most of my clients are small start-ups and those that are coming afresh. I am constantly starting at the beginning, trying to make sure that they can come into IP law and understand what it offers them and how it will help them—but where money might be spent which will not necessarily give them the best return on where they are trying to get to.

Mark Anderson: Perhaps I might add that my experience with SMEs is that they have a sense of what is right and wrong. If you come up with some very technical rules meaning, “You can’t say this in a letter”, they will say, “Well why, when these people are stealing my idea?”. They think of it in emotive terms. They do not understand being told that I cannot write a straightforward letter, only a really obscure letter that pulls the punches. The more we can align the law with common sense, the better.

Baroness Wilcox: We have an opportunity here, thanks to our Minister, to enable these small companies to get a cleaner run at it. I wonder whether we are not giving them the information early enough and saying, “You will not be able to write that and to say this”, so at least they would have heard it from the beginning as opposed to when it all goes wrong.

Mark Anderson: Yes, I can see that there might be some value in that although I do not know how often they would read it. My experience is that businesspeople are busy and are not going to look at technical things like this unless they really have to.

Vicki Salmon: This is not confined to small business; some directors in big business would also not have that detailed understanding. The advantage which big business is more likely to have is that of in-house legal teams with that specialist knowledge. But they are having to do exactly the same job with the directors above them who go, “Get these people out of the market”, by saying, “I’m sorry. I can’t do that, because of these threats provisions”.

Baroness Wilcox: Thank you very much. I think you have a very exciting job.

Vicki Salmon: Thank you.
**Lord Plant of Highfield:** Perhaps I could ask a question which is a bit of an outlier, compared with most of the issues that have been talked about. I should declare some interests before I say anything: I am a retired academic and I have copyright in about 10 books that I wrote during my academic career—10 are with English publishers and the same books are published by about 15 continental publishers. Those are my interests as far as this Committee is concerned.

What I am interested in is this. Many years ago now, I spent a long time on one of the sub-committees of the European Communities Committee of the House of Lords—I think it was in this room—discussing proposals for a European patent. This told me far more about patents than I ever wanted to know but has come back to haunt me a little in the context of this inquiry, in that one of the big issues preoccupying that Committee was the problem of forum shopping. This may all have been sorted now—I do not have my ear to the ground over this—but it was perfectly feasible to think that those who owned patents might choose to litigate legal issues to do with them in countries in the EU with jurisdictions which are, let us say, less sophisticated than those in the UK. I know that in papers we have seen, there is a way around this but is there a genuine issue here? Given that many of the large companies will actually be multinationals, if a statement in a letter to someone who is held to have infringed a copyright says, “We would intend to pursue action in jurisdiction X, where we have a company domiciled, instead of in the UK”, would that be treated as an unjustified threat? Can it not just be a statement of fact?

**Mark Anderson:** The whole question of international IP is really important. In the UK, we should try to minimise differences from other jurisdictions because they create the opportunity for that kind of thing. Personally, I think that we are a bit of an outlier on the threats side because lawyers in other countries are sometimes surprised by being caught out by it. In the Best Buy case, I believe that we were dealing with Spanish lawyers who made the communications and found themselves caught out when it was deemed that the threats applied to the UK, as well as to other jurisdictions. So, yes, that is a potential issue. I do not know whether the solution is to try to stop people suing in other countries. I think that would be difficult and rather than taking a purely UK approach to some of these issues, the answer may be to take a more international approach. That is one issue; another is that the UK actually does very well out of international IP. It is often the UK’s IP lawyers who lead European-wide litigation because of their expertise in this field, but perhaps that is slightly straying off the point.

**The Chairman:** If there is nothing else that any member of the Committee wants to raise in respect of that question can we get onto the third question, which deals with legal advisers? I will ask Baroness Wilcox to introduce this one.

**Baroness Wilcox:** Thank you. I should really have said that after I had been dashing about with all the patents et cetera, I turned into a grown-
up and eventually became the Minister for Business. Intellectual property was on my plot there, so I know that it is not an easy area in which to work. My question is: what will this Bill do to prevent overaggressive tactics being used by legal advisers? What about the problem of threateners or their legal advisers acting in bad faith? Finally from me, do you support the move to protect professional advisers from personal liability for making threats when they act for their clients, as long as they are regulated by a regulatory body? I hope that you have understood that but I can read it again if you like.

Mark Anderson: Maybe I could start and then move on to the others. My feeling is that we need to make a distinction between what the legislation focuses on, which is the ability to assert rights in a clear way—or the proposed changes to make that easier—and what I think the Lord Chairman referred to in a previous hearing as what the ordinary person in the street would regard as bad behaviour. All the IP threats cases seem to be about the middle of the range—what you can say in an ordinary letter—versus the extreme behaviour, which I do not think is really addressed even by the current threats legislation and tends to be dealt with through other means. I do not think that the current legislation or the Bill has any ambition to go into those kind of extreme cases. I think that in previous hearings, some members of the Committee indicated their awareness of certain famous copyright cases where this issue came up but the threats legislation would not have helped in those cases. How you deal with extremely bad behaviour is a completely separate issue. It is not really part of the letter-writing in a threats action, which is a much narrower topic.

Matthew Harris: Perhaps I could go on to address the point about the liability of professional advisers, because I said that I felt that it was significant in the context of SMEs. There are a number of reasons for that. I know that there has already been evidence before the Committee about the need for lawyers to get indemnities from SMEs. I would say that it is somewhat more convoluted and nuanced than that. It is not just a case of getting the indemnity; one has to advise the client why the indemnity is necessary. Frankly, that is often no easy exercise—I speak as someone who has had to give that advice from time to time—because you need to explain to your client why you want to write a letter which is perfectly proper for you and your client to send, and is in the client’s best interests, yet their lawyer may still be sued. Because of that, the lawyer wants and needs an indemnity: namely, that the client should foot the bill. That is a big ask.

In extreme cases, it may even require the lawyer to tell the client to get independent advice. In my experience, lip service is often paid to that, as the lawyer has to say it to protect their position when it is the last thing the client wants to do. I suggest that it is not a good state of affairs to advise your client to go off and get advice in relation to whether there should be an indemnity in this respect, before they even get to the first stage of preparing the letter. Because of those concerns, I have come across cases—they are rare but have existed—where a client has asked
me to write the letter for them so that they can send it. But, as I think has also been evidenced before the committee, the force of a letter asserting a right often comes from the fact that it is well considered and has been sent by a lawyer. So if the SME cannot, or is reluctant to, instruct a lawyer because of this issue in relation to threats, they will immediately be at a disadvantage in comparison to the larger entities.

If the concern here is about overaggressive tactics, one also has to be careful that there are not perverse incentives for letters not to be written by lawyers, so that you would then not even have the regulatory restraints that come into play, so far as lawyers are concerned. That is just about the indemnity but there are other problems as well, because a professional adviser who acts for a large company will rarely be concerned by a threats claim. As long as they do not act negligently, the chance is that their client will stand behind them. In the case of an SME, there can sometimes be a real issue from the lawyer’s perspective as to whether the client is good for the indemnity. It is all very well having an indemnity but if they do not have the money to pay it, that will not protect the lawyer. So that immediately sets up a potential personal conflict between the lawyer and the SME: the SME wants to be robust but the lawyer may feel restrained about being robust, even though it would be perfectly legitimate, because the client might not be able to back up the indemnity if it all goes wrong.

That is about writing the letter. What then happens if a threats claim materialises? If you send the letter out and a letter comes back saying, “You are engaged in an unjustified threat”, the lawyer then has a choice. The lawyer can stand behind the client, but that may mean adopting the client’s case of infringement as a defence, so the lawyer is sucked into the substance of the litigation. It is effectively the client’s litigation, yet the lawyer is effectively potentially liable for the costs of that.

The lawyer might not do that; perhaps the client then disappears and the lawyer cannot do that. The other choice for the lawyer is to stand down and in those circumstances, the other side has already won a tactical victory. The client will have the additional costs of going to a new lawyer—probably to start the whole process again—and that does not formally get rid of the threats action against the first lawyer, which still has to be dealt with. Lawyers who act for large companies are fully aware of these practical issues. They know that that is the position, which is why there is every incentive to raise a threats claim against a lawyer acting for a small company if it is possible to do so. If you then took away the lawyer’s liability, we would say that a major impact of that would be a levelling of the playing fields so far as SMEs and larger companies are concerned.

**Viscount Hanworth:** Sir Robin Jacob was against this rule of indemnity, as you have probably gathered. Moreover, if I read him right he did not seem to think that a lawyer demanding an indemnity of a small company was a common circumstance. But you have told us some stories implying, at least, that it is a really big issue. Can you comment further on the prevalence of these problems.
Matthew Harris: Not only can I confirm that it is a common issue, but that it is such a common issue that my firm, which specialises in IP cases and has a lot of SME clients, already includes the indemnity in its engagement letter. But that does not address the issues of advising the client in relation to why that indemnity is needed. You must go through that process with the client before you send the letter which might be deemed a threat. All the issues I am describing would then arise.

Viscount Hanworth: Okay. I understand that it is a real issue.

The Chairman: It is suggested by some that if we protect professional advisers, that will possibly have an indirect and undesirable effect of encouraging what Sir Robin called cowboy lawyers. As has been mentioned, in the end that was possibly one of the reasons why he was opposed to giving this protection to lawyers. What do you have to say about that suggestion?

Vicki Salmon: For patent and trademark attorneys, threats is part of the subject which they are taught and examined on, so they all know about it fully. Some solicitors can come into the field knowing very little about IP, so they will not even know that the threats provisions are there. Whether they have an exemption or are caught by them is therefore just irrelevant: they have no idea that it is there. As far as we are concerned, we still have to advise the client on their liability in threats and if we have not done our job properly, they will be back suing us for negligence. So we are not off the hook completely, even if we cannot be sued by the other side.

Matthew Harris: I would say that that is the answer from the solicitors’ position, as well. If a solicitor sends out a letter that constitutes a threat without advising the client that it is a threat, they are potentially liable in negligence. The issue here is not protecting solicitors who are liable in negligence; there are laws in relation to that which are unrelated to threats. You do not need the lawyers to be liable in respect of threats for that negligence action to be brought. All you need is the client to be liable because the lawyer did not advise them. We would say that the exemption for the solicitors does not, as it were, allow the cowboy lawyer off the hook if he or she does something wrong.

The Chairman: That perhaps leads to the next part of the third question, which is: how much confidence should we have in the disciplinary provisions of the regulatory bodies for relevant legal advisers? What disciplinary powers do they have, and how much have they been used in relevant cases in recent years? The worry here for some is that if you give professional advisers this exclusion from personal liability, it will somehow lessen the ability of regulatory bodies to keep their members in order.

Mark Anderson: That is an interesting angle. I do not think that the two things are linked. The regulatory bodies are going against
wrongdoing, based on the rules of the particular body and not on the IP threats provisions. On the Law Society side, we have been preparing a letter for you on this very subject. We have not yet got approval from the regulatory parts of the Law Society, because it is a bit above our pay grade to authorise a letter of that kind, but it should hopefully answer some of your questions.

In summary, yes, there are regulatory provisions and they are applied. The number of times that they are applied in the IP field is understandably small because IP is a relatively small part of overall solicitors’ practice. But there are some very high-profile cases, which I think you already know about, that went to the Solicitors Disciplinary Tribunal and there were significant sanctions as a result. Indeed, in one case that I can think of there were sanctions not only in that tribunal but subsequently by the Solicitors Regulation Authority and by the Information Commissioner’s Office. There was a triple set of sanctions, and in none of those cases was it concerned with whether IP threats provisions existed. It was to do with the general conduct of the individuals concerned. I hope that, once we have managed to get you this letter, it will help to flesh that out.

The Chairman: As I understand your answer, it is in effect that the protection that the draft Bill would give to professional advisers would have no effect whatever on the powers of the regulatory body to deal with cowboy or similar lawyers.

Mark Anderson: Correct.

Vicki Salmon: Correct. I was going to say that I know that the IP Regulator has written to you and sent, or certainly provided, links to its various papers. Again, I cannot speak for the regulator but if there were questions in relation to what it had sent you, I would be quite happy to try to help you through. As a lowly patent attorney, I sometimes have to read these provisions just so I know where our practice stands.

Lord Lucas: My experience of this relates to ACS:Law. At that time, it was extremely difficult to get the solicitors’ regulatory authorities to do anything. There did not seem to be anything proactive about them and at the end of the day, there were about 500 cases in front of them before it actually moved. What worries me about this situation is that the cases tend to be singular and when you notify the regulatory authorities about some individual case of behaviour, if they follow the practices that they followed in ACS:Law they will do nothing. It would be very difficult to build enough of a coalition to get them moving. Therefore, lawyers would feel free to misbehave without effective sanction. Is that unfair?

Mark Anderson: I think that is unfair for a number of reasons. First, the threats provisions would not have been relevant in the ACS:Law case because it was a copyright case.

Lord Lucas: I appreciate that it was a different thing.
Mark Anderson: Yes, I am just trying to think through the process. Secondly, if you are talking about individuals who are sent distressing communications, will they even know about the threats provisions? It is only if they get up to the level of instructing solicitors who know something about the subject, which is probably not their high street solicitor, that they will even get into this topic. So, to my mind, the threats provisions are to say the least remote from the factual pattern in the ACS:Law case.

Will it make a difference to cowboys, to use Robin Jacob's phrase? Perhaps I should declare an interest here in that I do some teaching at UCL. He is sort of my boss, in that context, but I have not discussed this subject with him. I really do not think it will make any difference. In some of these cases, there are people who are just on a mission and the fact that there are IP threats provisions or regulatory sanctions does not really make any difference one way or the other. It is an after-the-event thing to tighten things up.

Matthew Harris: May I just add a small point to that? Let us assume hypothetically that there were threats provisions in relation to copyright and that the people who were receiving these letters did know about the underlying threats law. I have great doubts that it would make any difference. You are dealing here with individuals who theoretically could have brought an action for declaratory relief. The threats provisions might give some rights in relation to damages, but what financial damage have they suffered in these circumstances? A small sum of money is being claimed from them—lots of small sums of money from lots of people—so the damages provisions are not going to help. An injunction? In one of the cases, because many of them came to court, the judge considered whether he had the power to grant that injunctive relief, and he decided that he did not have to decide the question. So it is still a moot point as to whether injunctive relief could be obtained in that sort of situation. This is a somewhat long-winded way of saying, “Let's assume these provisions were there. Would it really have made any difference in this case?”

Lord Lucas: I am not trying to widen this discussion to copyright because that is outside the Bill. But we are saying here that we will grant a measure of immunity to legal advisers as long as they are registered. My question is whether their being registered makes any difference. Are we looking at a regulatory system that will pick up on one instance of misbehaviour and take action on it? My experience is limited and in a slightly different field, but that seems the question for this Bill: are we right to think that being a member, and thus being subject to discipline, will be effective if a solicitor goes off-beam under the terms of this Bill?

Mark Anderson: My answer would be that, in my experience, solicitors are careful not to break rules and laws. You have a few outliers who are different. If you are dealing with a group of regulated people, the chances of that kind of behaviour arising is reduced compared with, say, an unregulated group of people—here I am thinking
of McKenzie friends, but that is in a different context—where the same set of rules does not apply. I would argue that it makes a difference, even if you can never stop the outliers doing things and even if the oil tanker of the SRA takes some time to get moving. But that is just my view.

**Vicki Salmon:** All I can say is that as far as patent attorneys are concerned, it seemed that very few complaints came in, and that was even before IPReg was instituted in 2010. Where they can, they are discussed and agreed. I am not aware of a complaint having been made in this sort of area. The regulators are obliged to operate under the regulatory principles set out in the Legal Services Act. One of those principles is that authorised persons should act with independence and integrity. They set up a set of rules and they then have disciplinary proceedings to go through. So the first thing they need is for someone to make a complaint. Complaints from clients are probably much easier for them to deal with because that is their expectation. When complaints are made by third parties, there is potentially—I cannot really speak for the regulator—I would assume that they would be a little more careful about entertaining those in case there is some other ulterior motive. IPReg’s rules have provision in them so that they do not have to be drawn into satellite litigation. As we have said, when threats are brought up in existing litigation, it is often to try to drive a wedge between the lawyer and the adviser. A lot of the threats come into litigation in counterclaims, so the very thing that you are worried about, which is people threatening and not suing, has already gone out of the window because the legal proceedings have been started, and as part of the counterclaim the threats come in at that point. But the litigation is already going on and the original motivation for the threats provisions was that people were avoiding litigating.

As Sir Robin pointed out, part of it was about looking at egregious behaviour, but the wording of the statute was such as to leave that out. You then had a fairly complicated set of rules which do not say that you have behaved badly, but that you have either met or not met the defined standard of letter writing in terms of who you wrote to and what you put in it. Then it is about what the recipient thought and not what the person sending the letter wrote or intended when they wrote the letter. I think that there will always be egregious behaviour and I do not know whether you can ever ban it completely. However, I do not want any complaints to be made to the regulator. I do not want reputational damage and I do not want my insurance premiums to go up. I do not want the chance of me or my business being fined. In my practice we are more likely to ensure that anything vaguely threatening is looked at by at least two people to make sure that we are not exposing the client to risk, let alone the firm. I do not think that changes, because of the potential for the client to come back if they are exposed to a liability they did not understand.

**Q26 Baroness Bowles of Berkhamsted:** I think that links slightly into tactics, but I would like to move on to the permitted communications. I do not know whether you saw our previous session with Sir Colin and Sir
Robin, but we got into consideration of the flexibility, shall we say, of new Section 70B(3), which is what we were discussing. It makes it quite clear that the court can treat any other purpose as a permitted purpose and that it can extend, in certain circumstances, or perhaps even generally, the sort of information that can be put into those letters. However, Sir Robin in particular felt that this gave rise to the possibility that the court could interpret something as going beyond that which is permitted. Initially, did you ever consider that that was the case in new Section 70B(3), if you have it in front of you? The answer might be no, you have not considered it.

**Mark Anderson:** I have not considered it. This is a very technical point that I have just not had occasion to consider.

**Matthew Harris:** It seems to be a one-way provision that talks about additional permitted purposes. If the question was: did I consider that this provision would allow something that was a permitted purpose to be declared not a permitted purpose and therefore somehow a threat—if that was the thrust of the question—my answer is no.

**Vicki Salmon:** My view is that subsection (2) gives three specific instances of where there are permitted purposes, and subsection (3) says, in effect, that you might look at another set of circumstances. You might be having particular difficulty finding out who in this multinational group was the relevant company for manufacturing or importing. There might be something that did not fit squarely within the things of permitted purpose which the court might look and say, “Within this context, we think that that letter should be allowed rather than something we will sanction as an unjustified threat, regardless of whether you manage to find the patent infringed and valid further down the line”.

**Baroness Bowles of Berkhamsted:** All right. Thank you. I must say that is the way I read it and I thought that is how the Law Commission explained it, but then that set me thinking. I looked at new Section 70B(1), which refers to “a 'permitted communication'”. New Section 70B(1)(b)(i) says that the information “is necessary for that purpose (see subsection (5))”. If you jump over to subsection (5), it says, “examples of information that may”—may—“be regarded as necessary”. So if you combine the “may” of subsection (5) with the “necessary” of subsection (1)(b)(i), could you conceive of saying, although this looks a slight chance, that in the circumstances even something from the list in subsection (5) was not “necessary”? I think that what Sir Robin was saying he thought was in subsection (3) could be concocted out of subsections (1) and (5) of proposed new Section 70B together, if you follow where I have got to. Perhaps you could dream up something terribly horrible and threatening under subsection (5)(c) on “information enabling the identification of the products or processes”, so that they say, “Hey, in the circumstances, you have overstepped the mark”.

**Matthew Harris:** Lawyers can dream up many things in many circumstances. Perhaps it may assist the Committee if we were to write to you separately on precisely that point.
Baroness Bowles of Berkhamsted: Indeed. I was applying my mind to it, and I would like to have a letter on that when you have had time to consider it at leisure. If you want me to clarify it further then do look. I just thought it was an interesting possibility that there was where you got the ability to contract as well as extend, if the circumstances were egregious, therefore bringing in a little of the idea of the tort that we do not have. I am happy that the witnesses will write.

The Chairman: If I say so myself, it would be a very good idea if you could write on that rather than trying to draft on your feet or provide an answer to a very interesting but not terribly easy question. Unless anyone has any other points—

Vicki Salmon: There are already some foreshadowing parts of that in the threats provisions, in the patents section. When I looked at them initially, I thought that they were far from clear as to what was actually permitted. I do not know how much case law we yet have—that is what we will look at and put to you—but it may go in each direction, both cutting it down and expanding it.

Baroness Bowles of Berkhamsted: It looked as if the judges were prepared to make more case law.

Vicki Salmon: I am sure that they will.

The Chairman: There is a difficulty: I can see from what has just been said that the word “may” can be read in two ways to mean, in effect, “is allowed” or “may be allowed”. We may need a bit of clarity there and would be very grateful for your help on that. Did anyone want to say anything else on this question? We move on to the very important fourth question, which again I will ask Baroness Bowles to put to you.

Baroness Bowles of Berkhamsted: This is quite brief. Do you think that the wording of the legislation is clear enough regarding the position of the in-house lawyers in that, as I understand it, the intention is that they can avail themselves of exemption but the company they work for cannot? All we have in the Bill is, “(or any person vicariously liable for the actions of that professional adviser)”. I am not sure that I am necessarily happy interpreting that in the in-house context.

Mark Anderson: I had no prior knowledge of this but I looked at the BBC’s submissions on this point. My feeling was that it might have a point about the meaning of “acting on the instructions of another person” and whether that other person might include their employer, rather than a separate legal entity. I thought that it probably did cover that but it might be useful to have some Explanatory Notes, which I think the Law Commission suggested having alongside the Act. That might be all that is needed.

I am not sure whether part of what you wanted to ask about was the BBC's other point about not having specific instructions from somebody else in the organisation, but I was not so persuaded by that.
Having worked as an in-house lawyer myself, it seems quite important always to have a commercial client from whom you take instructions. It therefore should not be that difficult to get an email from that person before you send a threatening letter, to say “Yes, please send this threatening letter”, or even a batch of them. But to suggest that as an in-house lawyer, you would be in a situation where you have nobody to ask that question of would seem to have the danger of going beyond a legal adviser and turning into an executive, in which case why should you get the benefit of the legal adviser protection? That was my thought on that.

Baroness Bowles of Berkhamsted: So you think that having something in Explanatory Notes clarifying it would solve the doubt.

Mark Anderson: I think so. Yes.

Vicki Salmon: I have never thought of the position of in-house lawyers is one of being likely to be sued. But I suppose that if the wording of the tort is that anyone who sends a threatening letter can be sued, then they can be. I would not have expected an in-house person to be sued in that way because you would not expect them to have deeper pockets than their employer, as you might with a legal adviser who was external.

Matthew Harris: A legal adviser who was external and acting for an SME!

Vicki Salmon: Yes.

Baroness Neville-Rolfe: I just want to ask my SME question in relation to this. You might imagine the legal counsel at a small company also doing other work which could, I suppose, include commercial contracts. Are you saying that they should not have the benefit of the exemption? That would seem a bit difficult for them because they will then have to outsource the work.

Mark Anderson: There is a difference between somebody employed as a legal adviser, whatever title they have but where they maintain a practising certificate if they are a solicitor, and so on, versus quite a lot of my university clients, for example, who have people with a semi-legal and semi-commercial function. They are often not qualified lawyers but have some legal qualifications. I do not think they would regard themselves formally as legal advisers. It seems to me that the protection should be for those who are regulated legal advisers, not people who have some legal qualifications and perform a mixed role but are not held out as legal advisers. I do not know whether that answers the question.

Vicki Salmon: I would not see the difficulty if the lawyer were doing the commercial contracts and the IP advice. It would be about them having somebody internal who is clearly giving them instructions at times. They would go and check with an executive or director: “Right, we have this problem coming up. How would you like us to handle it and what would the policy be here?”.

The Chairman: The Bill, of course, provides the exemption only if the
person concerned is regulated, so it would have to be a member of the regulatory body. I do not think that the non-legal adviser will be covered in any event.

**Baroness Neville-Rolfe:** I was not concerned about the non-legal; of course it has to be someone who is a solicitor. But I always apply the small-company test and I think there is practice in small companies where the legal counsel job includes other jobs as well, because of its small size. Provided that they are doing their training and keeping up to date as a solicitor, it seemed to me that they would be in the same position. You seem to draw a slightly different conclusion. That was my concern.

**Mark Anderson:** If I were, say, appointed as a commercial director of an SME, where my role was both in-house lawyer and commercial director, I would feel comfortable if someone else was giving me instructions when I was sending a letter if I was seeking to claim regulatory protection under the Act. I can see the counterview but I am not persuaded by it. It is a matter for debate.

**The Chairman:** Your case, which is probably not uncommon, where you are both a commercial director and, in effect, the legal adviser would raise some difficulties, would it not, on the present draft if you are seeking to be excluded from liability? I see the point that it is unlikely that in-house lawyers will be sued, but if they are to be given this protection, there are quite difficult questions, such as the one I have just asked about having two hats on.

**Mark Anderson:** Yes. I do not have an instant answer to that, I am afraid. There is a policy question about whether the protection for an adviser is intended to cover someone who is acting in a dual role and is also an executive.

**Matthew Harris:** I was going to make the rather obvious point that a company is likely still to be liable in those circumstances.

**The Chairman:** I beg your pardon?

**Matthew Harris:** I was trying to make the obvious point that the company is likely still to be liable in those circumstances. The commercial director is acting as an agent on behalf of the company. This situation is not that different from, for example, that of a director who was not getting legal advice deciding to send this threatening letter. Would they be a joint tortfeasor with their own company in relation to that act?

It seems to me the same question. It is just that you have combined the two where you have someone who is wearing, as you put it, two hats. My answer would probably be Vicki’s practical one: it is rare that the in-house person is sued because there is little tactical advantage to be gained by doing so.

**Baroness Bowles of Berkhamsted:** I thought we had a quick fix on it with the Explanatory Notes but we have managed to find a few more worms in the can.
Q27 **The Chairman:** Yes. I am not sure lawyers particularly like Explanatory Notes because the argument goes: if that is what they really meant they would have put it in the Bill. Anyway, leave that with us unless there is anything else you want to say on this subject. Unless I have missed out yet another question, can we move on to our next question?

The written evidence provided both by the Law Society and CIPA proposed amendments to the Bill. Could you briefly describe your proposed amendments and the reasoning for them? Do you support each other’s proposals? The last part of that question is: would you support any other amendments to the Bill suggested in the written evidence? May I deal with that last part first? It is a matter for you, but you might prefer to answer in writing on whether you think other proposed amendments are a good idea, a bad idea, could be expanded or whatever. If you think that, the Committee would be very grateful for your written response on other amendments proposed to the Bill. Would you be happy with that? Yes? That is kind.

Can we come back to your proposed amendments and start with the one from the Law Society?

**Matthew Harris:** We have one proposed amendment. It concerns the issue in, for example new Section 70B(1)(a), but it is manifest in relation to all the IP rights—that is, the requirement that a communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose. We are concerned about the use of the word “solely”. Taking a step back, the issue here—I think there has been evidence before the Committee to the same effect—is that it is a bad idea to introduce into the Bill more than is absolutely necessary an assessment of the belief or motivations of the sender of the letter, rather than an objective assessment of what the letter is doing. This has been aired before the Committee already. Issues of side litigation, disclosure and privilege all arise in that context.

We are concerned that the requirement that the communication must be made solely for a permitted purpose to gain protection might open the door to a subjective assessment of what the sender intended at the time he or she sent the letter.

We previously raised this with the Law Commission, and its response was these words were not intended to bring in a subjective assessment, but that it was intended to be an objective test. We respectfully suggest, however, that that does not really answer our concern, which is how this provision might be read.

We also do not think that the word is really needed because of the way the rest of the clause is constructed. As we understand it, the concern here is about dealing with a letter that covers more than one purpose—a permitted purpose and a non-permitted purpose. Does the fact that it is for a permitted purpose somehow give cover for the non-permitted purpose? We do not think that is likely to arise
practically because, as new Section 70B goes on to state, all the information that relates to the threat is information that is necessary for that purpose. If you are including information that extends beyond the legitimate permitted purpose to something that relates to the non-permitted purpose, you will fall foul of this section anyway. For these reasons, we suggest that the word “solely” be removed.

I also have comments on CIPA’s proposals but it makes more sense for Vicki to go first on that.

*Vicki Salmon:* We were quite happy with the Law Society’s proposed amendment. The combination of “solely” and “necessary” had bothered us in previous submissions; we just had not made the point to your Lordships in the evidence that you asked for. We support that amendment.

*The Chairman:* Yes, except that new Section 70B(1)(b) refers to all the information that relates to the threat. What if you had a letter that contained something that had information that was made solely for a permitted purpose, and it did not just give the permitted purpose for an example we might find in new subsection (5), but also contained something that is in new Section 70B(4)? It would then no longer be “solely”, would it?

*Matthew Harris:* Are we talking about new Section 70B(4)?

*The Chairman:* I did not put that very clearly. “Is made solely for a permitted purpose” could be read as meaning that it is not made for any other purpose.

*Matthew Harris:* Then how is that to be judged—objectively by reference to the letter, or subjectively by reference to the intention of the person sending it?

*The Chairman:* I would have thought it referred back to “the communication”—the two opening words of paragraph (a). I see your point about avoiding what the Law Commission does not intend to include—some investigation into the subjectivity of the communication. Perhaps wrongly, the Law Commission may not be quite as concerned as you are that that may be the reading, but that is only my personal view. It is there, is it not, that you can have a communication that is—let us use another word—“only” for a permitted purpose, but if you put an unpermitted purpose in that communication you are not protected. Is that not what it was basically after?

*Matthew Harris:* Indeed, an unpermitted purpose that carries with it a threat. There may be purposes that are non-threat-related.

*The Chairman:* It would no longer be a permitted communication. Is that not what the Law Commission was after?

*Matthew Harris:* Undoubtedly that is what the Law Commission says that it is after, yes. As I say, the Law Commission has taken the view
that this is not an issue and that the letter would be read objectively. But we are concerned, and we are not the only people to raise this concern, that this word would—

**The Chairman:** Yes, but if you take the word out, where would it prevent you giving a communication that was for a permitted purpose and then in your second paragraph including a non-permitted purpose?

**Matthew Harris:** But then you would be including information, would you not, that was not necessary for the permitted purpose?

**The Chairman:** But it would not be information; it would be simply, “We want you to destroy the product that is not permitted”. I think that is what the commission is getting at: that if you are not careful you can have a perfectly legal permitted communication, but you cannot add anything else to it. So you put in the word “solely” to avoid the example I have given you where you start with paragraph 1 and, “perfectly legitimate permitted purpose”, and paragraph 2 says, “so please destroy all your goods”.

**Mark Anderson:** I do not know if I can help here. My feeling, just looking at the words, is that the problem is the word “purpose”, because “purpose” suggests intention, whereas if it had said something different such as, “is communicating the things described in Schedule 2”, you would not be looking into the mind of the sender. “Actually, my purpose is to put this business out of business”, versus “We are not concerned with what the purpose is; we are just concerned with whether it is doing the things in that subsection”. I have not discussed this even with Matthew, but I think that part of the problem with the word “solely” is that we are focusing on a word like “purpose”, which carries with it a kind of qualitative sense rather than just a purely objective look at what information it communicates.

**The Chairman:** I think the Law Commission gives the answer to that, which is to look at subsection (2) because it defines what the permitted purposes are. You do not have to go into anyone’s subjective state of mind.

**Matthew Harris:** Maybe this is also something we can write to the Committee separately on.

**The Chairman:** Again, and I hope the Committee agrees with me, I would be very grateful if you did. I am not suggesting that there is a simple answer to this and you have raised an important point. All I am trying to put to you is, as I understand it, the Law Commission’s present answer. If you would like to write on that, we would be very grateful indeed.

**Baroness Bowles of Berkhamsted:** If I may, the Law Commission is not saying that you cannot have something else in the communication. That is what the bit between the commas is for so far as it contains the information that relates to the threat. So a letter that contains something
else, such as “Oh, by the way, we still have an outstanding order for your X, Y and Z”. It is not the sort of thing that would normally be put in the same letter, but you might do it if you were trying to keep things friendly and show that relations are still going on. There is nothing wrong with that.

**The Chairman:** No. To take a silly example, the letter could end with the words, “Happy Christmas”. That does not prevent it being for a permitted purpose for the very reason that Lady Bowles has just pointed out so far as it contains information that relates to the threat, which “Happy Christmas” would not. If you are going to write further on that, we would be very grateful indeed. What about the next amendment?

**Vicki Salmon:** Is there any particular order in which you would like to take them?

**The Chairman:** No. You choose your own order.

**Vicki Salmon:** Okay. I will choose them in the order of our comments to you.

**The Chairman:** I need just a moment to extract your comments.

**Vicki Salmon:** In relation to professional advisers, while it may be that my reading of the statute is at fault, the wording in the draft Bill states that a professional adviser, “is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney”. It does not say that the person has to be a lawyer, a patent attorney or a trade mark attorney, but merely that they are providing the services of such a person. That is to be found in proposed new Section 70D(2)(a). In paragraph (b) you are regulated “by one or more regulatory bodies”, but that could be through membership of the regulatory body. It seems to me that I and a couple of my friends could get together and form a body that we would call a regulatory body and devise some regulations for ourselves that would apply. That is because it does not seem to refer back to the regulation under the Legal Services Act. That may have been deliberate on the part of the Law Commission because I think that it was looking at including some foreign lawyers, but it seems to go far enough to permit us to set up some form of guild which would then provide those services. It is for that reason that we were trying to introduce some clarity in order to bring it back to the regulatory regime under the Legal Services Act or, if you so choose, equivalent provisions in other jurisdictions.

**The Chairman:** I understand that point entirely, but what do you say to the Law Commission’s answer to the point?

**Vicki Salmon:** I am not sure that I have really understood why it did not write it in in more detail. That is why we have made the proposal to you now. We made it to the commission before and I do not understand why it did not take it forward. However, I can check on that.
Matthew Harris: If I might add, the Law Society had a similar concern in relation to this and we tried to solve it in a slightly different way. We suggested to the Law Commission that it should be someone who is effectively covered by professional legal privilege to that issue. There is case law as to who is covered by this. However, we are trying to address the same underlying point that this provision was potentially wide, and wider than merely covering lawyers in this jurisdiction and in foreign jurisdictions.

The Chairman: If I may summarise the first one, it is that you would like a much tighter definition of “regulatory body”.

Vicki Salmon: Yes.

The Chairman: I follow that. Without saying whether I personally agree, I see what you are saying.

Vicki Salmon: Thank you.

The Chairman: Does anyone else want to raise a question on this first proposed amendment? If not, we could possibly move on to the next one.

Vicki Salmon: The next amendment relates to proposed new Section 70A(4)(a). It is permitted to make a threat to a primary infringer, who is someone who makes or imports or uses a process. When you are trying to find out who is the right person to sue, you might come across something on a person’s website saying “This is our product”, and you have no indication that they have actually bought it from someone else. So as far as you can see, you are writing to the primary infringer; that is, as far as you can tell, it is the person who has made and says that this is their product. So they have not actually been the person who made it or intended to make it, but they are purporting to do so. That was the aim of the first aspect of the amendment.

The Chairman: The Law Commission is again not very happy with this one. Would you like to respond to its comment?¹

Vicki Salmon: I have not received its comment.

The Chairman: I am sorry. It is in a paper that you have not seen.

Vicki Salmon: We would be delighted to respond to the Law Commission’s comments when we see them.

The Chairman: Yes. If you do not have them we will provide you with them so that you can look at what the Law Commission has to say about it. If you could provide us with your response in writing, we will be very grateful.

Vicki Salmon: We would be happy to do that.

¹ Note by the Clerk: The Chairman was referring to comments made by the Minister (not the Law Commission) in written evidence provided on 24 October 2016 and not, at the time of the evidence session, yet published.
The Chairman: I think we can probably move on to the next one, which I believe is proposed new Section 70A(4)(b).

Vicki Salmon: Yes, it is. Our thoughts here were very much along the line that when you issue proceedings you seek a prayer for relief, which means that they will not do any infringing act in the future. Particularly when it comes to trademarks, people frequently ask you not to use similar trademarks or anything that is confusingly similar. That tends to go beyond the specific product that has initially been made and sold. If you start by trying to write a letter that covers everything you want to ask for, you might go wider than asking them not to do a specific act again. That was the thought in our mind in trying to broaden that out. You might decide that that is not somewhere to go, or that the particular proposal is not elegant enough to meet that point, but that was the thought behind it. If you ask for wider undertakings than those which go specifically to the sale or distribution of a product or use of a process, you run the risk of going beyond the permitted wording even though you were communicating with the primary infringer.

The Chairman: Yes. Again, I think, or at least hope, that I understand the point you are making but it is another where I would perhaps ask you to look at the responses made and write to us, if you would be so kind.

Vicki Salmon: Certainly.

Matthew Harris: Might I request that the Law Society sees that as well? On some of these we agree with CIPA but on others we are less convinced that it is an issue—for example, that one.

The Chairman: Yes of course.

Matthew Harris: It may well be that our views are not the same.

The Chairman: I understand and agree with that and we will certainly do that. Forgive me, I cannot remember but do you have any more?

Vicki Salmon: There were two more. One was in relation to trademarks and electronic communications. I think I understood the Law Commission to intend to make some proposal in that area, or an Explanatory Memorandum if I heard correctly from the evidence given to you on 13 October. I do not know how much I need to pursue this one, because I think it was going to come back to you with some wording, but the issue from our members was that you might come across someone running a website and using a particular trademark on the website to attract business, without actually applying the trademark to the products in question. It was then very difficult to communicate with that person as a primary infringer, even though they were diverting business. I understood the Law Commission to be coming forward with some proposals on that area, or to be suggesting that electronic application would be fine, so again we can deal with that.

Baroness Bowles of Berkhamsted: This goes back to whether it would be satisfactory to have it in an Explanatory Note, as against on the face of the Bill.
**Vicki Salmon:** As against an amendment, yes, but maybe when we understand the Explanatory Note we can comment.

**The Chairman:** You will also receive some written evidence which the Minister submitted to us today, which we have agreed should be evidence in this Committee. You will get a copy of that, too, and it raises some of the points I have been raising with you. We have one different matter that I have to come on to but to sum up question 5, you are going to write to us on one or two aspects of the amendments that you have proposed, and on the other amendments proposed by others to the Bill.

**Vicki Salmon:** Yes.

**The Chairman:** We can now move on to Viscount Hanworth’s question, concerning conformity with international conventions and the like.

**Viscount Hanworth:** I am afraid this is a rather general question and it may be out of sequence. Lord Plant has also broached the issue, but perhaps I can raise it again. Do you believe that the provisions of the Bill will adequately accommodate the European patent and indeed the forthcoming unified patent? Can you foresee conflicts with the laws of other jurisdictions? I can expand on that a little. It seems that some jurisdictions will require the complainer in the case of a putative infringement to issue what might be regarded under the current law as an unjustifiable threat just to get the lawsuit started. I wonder whether we will increasingly come across conflict between our law and the laws of other European Union jurisdictions.

**Mark Anderson:** IP laws are generally very international in their scope. The majority of our UK IP laws are from Europe or internationally and we should not go too far out of line with other countries in future.

The idea of being able to send a robust letter that explains what your intentions are is a good thing. Were it not for the historical position of the threats legislation going back to the 19th century, one’s starting point would be: why should the law in this area be any different from any other area of commercial law, particularly economic torts, where you are expected to explain your position clearly, not least so that the other party knows how to respond appropriately? This comes up in the context, for example, of mediation. Reference was made in some of the earlier hearings to the importance of mediation at an early stage, but you can mediate only if you know what the dispute is about.

Being able to communicate clearly is important and I would be all in favour of our not being constrained more than in other European countries in that respect.

**Viscount Hanworth:** So you are suggesting that the law as it will be amended by the Bill will accommodate this issue? Would the existing law pose a problem in your judgment?

**Mark Anderson:** In my opinion, yes.

**Viscount Hanworth:** Because unjustifiable threats would be the sort of
things that one would make anyway in other jurisdictions.

**Mark Anderson:** Indeed.

**Vicki Salmon:** The threat needs to be a threat to bring proceedings in one of the defined courts, which are the courts in this country. If you are threatening to sue somewhere else, this legislation would not bite anyway. There was a particular problem with the Unified Patent Court which meant that the Law Commission needed to do more work and come up with some wording. I think that it has done the best it possibly can. There were some original proposals for threats in the Unified Patent Court that did not work at all, but at least now there needs to be a sufficient connection to this country before these provisions bite, otherwise the moment you had litigation that might go on in the Unified Patent Court, as opposed to the UK High Court, you were wholly outside these provisions and therefore there was no protection for people who received them or whose customers received them.

**Viscount Hanworth:** I suppose I might also ask this question. Do you imagine that as a consequence of Brexit we will have much less influence over the formation of European law than we have had, particularly in this connection?

**Mark Anderson:** How long do we have?

**Viscount Hanworth:** It is the closing question.

**Mark Anderson:** I would like to think that following Brexit we will have new arrangements that enable us as far as possible to be aligned with other European countries in IP law. It is in the interests of UK citizens to have consistency and alignment in this area. As to whether it will happen is anyone’s guess because it rather depends on the nature of Brexit.

**Viscount Hanworth:** Demands for sovereignty, whatever they mean, can produce problems.

**Mark Anderson:** Indeed. My only hope is that this might be a sufficiently technical area that it will not get caught up in debates over sovereignty.

**Matthew Harris:** I would add one point in relation to the issue of forum shopping. There is an issue of forum shopping that occurs in the IP rights context. I have come across cases—for example, a client of mine in the UK has been threatened in relation to copyright infringement in Germany but on behalf of another UK entity, so that there are two UK entities. Why is that the case? It is because, given the way European law has developed, if the infringement is on the web, it is arguable that the infringement extends into Germany and therefore there you have the jurisdiction to bring those proceedings. I would just make a general point in response to that. It would not be good generally for there to be disadvantages in instructing lawyers in the UK in relation to such IP issues over, for example, lawyers in Germany. This comes back to the point I made earlier on the liability of legal professionals. It would be unfortunate if, because of that potential liability, there was yet a further incentive for these matters.
to be placed out of the hands of UK lawyers and into the hands of lawyers outside the jurisdiction, perhaps making threats in relation to other courts.

The Chairman: That brings me to the end of everything I have on my list. Do any Members of the Committee have anything else that they wish to ask at this stage?

It remains only for me to thank all three of you for what has been extremely helpful evidence. We look forward to hearing from you on the subjects on which you have told us you will write further. I do not know whether we have supplied you with the list we have compiled of the proposed amendments to date, but if not we can send it to you because it will save you searching through in case you have missed any. If any further proposals come in, we will let you have those as well. We look forward, if I may respectfully say so, at your earliest convenience to the answers in writing that you have promised to give us.

Again, thank you very much indeed.
Evidence from the Law Society of England and Wales to the Call for Evidence issues by Public Bill Committee of the Intellectual Property (Unjustified Threats) Bill 2016

3 October 2016

The Law Society is the independent professional body that works globally to support and represent solicitors, promoting the highest professional standards, the public interest and the rule of law.

1. The Law Society supports the Intellectual Property (Unjustified Threats) Bill 2016 (referred to as “the Bill”). Our Intellectual Property Law Committee has been seeking support for a change in the law in this area for the last 10 years, and the Bill is broadly in line with our recommendations.

2. The changes proposed by the Bill represent the culmination of many years work and wide ranging collaboration between experts including the Law Commission, The Law Society of England and Wales, The Chartered Institute of Patent Attorneys and others who are knowledgeable about the acquisition, exploitation and enforcement of intellectual property (IP) rights and how these rights are used in practice. The Law Society broadly supports the changes proposed in the Bill as its adoption will result in consistent rules across intellectual property rights which will make the law more coherent and intelligible. This is likely to lead to a reduction in legal costs and shorten the delay before the substantive dispute over infringement is resolved, whether through litigation or settlement.

3. This submission outlines why the Bill provides much-needed amendment to the current ‘threats’ regime.

Importance of the effective IP rights

Investment in innovation

4. Innovation, technology and creative activities are widely acknowledged to be important for the growth and prosperity of the United Kingdom. The various IP rights (including copyright, patents, trade marks and design rights) have evolved over many years to incentivise such activities. Specifically, IP rights enable those who have made innovations themselves, or invested time or money in supporting other innovators, to reap the rewards of their creativity, risk taking and investment. Many of these risk takers are SMEs and start-up companies, which are important in the economy and provide competition to established organisations, all of which benefits consumers.

Right of enforcement necessary

5. The value of IP rights ultimately derives from being enforceable by legal proceedings. Importantly, rights owners need to be able to give notice of their IP rights to another person or organisation in a sufficiently robust way to cause the issue to be taken seriously, which in many cases leads to a settlement without the need to issue proceedings.
Balancing the rights of IP owners and their competitors

6. However, threats of enforcement proceedings can be used to stifle competition and innovation. Consequently, legal rights to sue for making ‘unjustified threats’ of infringement of IP rights have been in place for many years. In essence, the objective is strike a balance between the enforceability of IP rights (to stimulate innovation) and protection against egregious behaviour in the form of unjustified threats (to prevent lawful competition being stifled).

Evolution of the threats regime

7. The scope of the unjustified-threats rules has evolved over many decades. In our view, and the view of the Law Commission, the rules have in recent years become complex, inconsistent and in some cases weighted too far in favour of the alleged infringer, creating unnecessary obstacles and legal traps for the legitimate owner of IP rights (discussed in more detail below). The proposed changes in the Bill represent another stage in the evolution of the threats regime and we believe they are an improvement in balancing the rights of IP owners and their competitors.

Importance of the changes made in the Bill

Difficulties with the current regime

8. The regime was originally designed to prevent large companies from intimidating smaller companies and individuals with the threat of expensive legal proceedings. While the intention is laudable, in modern times the threats provisions are often used by large defendants to apply legal pressure to smaller claimants such as SMEs and others who are not familiar with the regime. This reduces the ability of legitimate IP rights owners to exercise their rights and get full value from them. The threats regime ends up being another legal weapon in a commercial dispute.

Legal route to overcome these difficulties

9. The threats provisions appear in various IP statutes. The Law Commission proposed revisions to each of those statutes, rather than the more radical change of a new tort of unfair competition.

10. While this may appear cumbersome, the Law Society is supportive of this over a more fundamental change. The introduction of a new general tort of unfair competition, which was mentioned in the Second Reading of the Bill, would take considerable time to achieve a consensus among most practitioners and their clients and we believe the current proposed changes provide an adequate and timely solution.
Removing inconsistencies between IP types

11. The current threats regime works differently in relation to different IP rights. There is little justification for these differences and the proposed changes would bring a welcome degree of harmonisation and consistency to the law.

12. Currently, not all IP rights are covered by the threats regime. Neither copyright nor ‘passing off’ (which in this context can be viewed as a quasi IP right as the legal remedy for infringement of an unregistered trade mark) are outside the threats regime. Copyright has in the past been relevant to the film, broadcasting and publishing industries and the software sector, but much less so in the sale of products.

13. The need for ‘unjustified threats’ rights in relation to copyright (and also passing off rights) has never been pressing. It may be that in due course following the repeal of s52 of the Copyright, Designs and Patents Act 1988 (the consequence of which will be that copyright may apply to a wider range of product designs) and with the continued expansion of the digital economy and social media, this should be reconsidered in the future. However, whether copyright should be within the threats regime needs significant consideration and is likely to cause debate. We, therefore, do not think that this is a good reason to delay a pressing need for reform in the case of the threats regime for other IP rights.

14. It may be worth mentioning a further issue in relation to copyright. The debates in the House of Lords on the Bill have revealed a concern about the over-zealous activities of one firm in particular that sent letters demanding payment for alleged illegal downloads of copyright works.

15. Four points should be made:
   - this is very rare;
   - the Solicitors Regulation Authority has ample regulatory powers to sanction, and has sanctioned, those solicitors who are engaged in activities that are likely to be in breach of the Solicitors Code of Conduct;
   - the courts may already have powers to check such abuse;
   - we have doubts that any change in the law of threats so far as copyright is concerned would practically impact such activity.

Enabling open communication between the parties

16. Under English court rules parties are rightly required to be open about their intentions in relation to potential litigation. The threats regime directly contradicts this approach, in that it discourages parties from being open and clear about their intentions, for fear of being sued for making threats. This is unique to IP litigation, and the proposed changes will help bring the threats regime more in line with other rules on disclosing intentions to litigate.

---

1 Media CAT Ltd v Adams & Ors [2011] EWPCC 6
2 The Practice Direction – Pre-Action Conduct and Protocols
Enabling parties to instruct legal advisers without unnecessary cost and delay

17. The current regime makes a party’s legal advisers personally liable for making threats on behalf of the client. This creates incentives for counter-productive activities or additional legal expense including:

- satellite litigation over threats which can be costly and delay the proceedings on the substantive IP infringement;
- defendants creating difficulties between the claimant and their lawyers;
- overly-cautious legal letters which are sometimes not interpreted as threats, particularly by SMEs;
- lawyers requiring indemnities from their clients before sending letters;
- parties starting legal proceedings before they communicate, via their lawyers, with one another (the threats regime doesn’t apply once legal proceedings have been started).

18. It is particularly important for IP right owners who are SMEs or start-up businesses to be properly advised and robustly represented against larger companies. Many of these organisations will not be able to provide an effective indemnity to a legal advisor and as a consequence may have difficulty in obtaining representation that will robustly advance their case. Larger and financially strong IP right owners, particularly large multinationals, can afford to give that indemnity, which has the potential to give them an unfair advantage to the detriment of those SMEs and start-up businesses.

19. The changes made would allow legal representation on both sides to send reasonable but robust letters without the risk of being sued, making it easier for SMEs to get representation.

Proposed changes to the Bill

20. The Law Society does have a concern about the use of "solely" in subsection 70B (1) (a) Patents Act and would suggest it is removed.

21. For example, under the present law a rights holder could send a ‘mere notification’ letter and, provided that the letter does nothing more, the letter cannot be a groundless threat. All that matters is an objective reading of the letter. The sender’s motives (which in many cases will be mixed) are irrelevant. To change the law so that a sender’s motives are considered would add an unwelcome and unnecessary complication to the law. This is particularly so given that the possibilities for abuse are limited by the Bill’s requirement that permitted communications only include information that is necessary for the permitted purpose.
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 (Annex A).

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. 0D(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
Letter to the Committee from Mark Anderson, Law Society

25 October 2016

I am replying to your email of 12 October 2016 about the regulation of professional advisors and the Intellectual Property (Unjustified Threats) Bill. You requested information about disciplinary powers and procedures relating to solicitors.

Roles and responsibilities

As you may know, my role with the Law Society is as a volunteer member and chairman of its Intellectual Property Law Committee, whose function is to make recommendations to the Legal Affairs and Policy Board on policy issues in the field of intellectual property (“IP”). As such, I have no involvement with regulatory issues. For the purposes of this letter, I have consulted with relevant officials in the Law Society, who have helpfully provided me with information. The content of this letter has been reviewed by the Chair of the Law Society’s Regulatory Processes Committee, which monitors the systems in place for complaints about solicitors.

The Law Society is the representative body for solicitors. The regulation of solicitors is currently the responsibility of the Solicitors Regulation Authority (“SRA”), which is operationally independent from the Law Society. The SRA’s Board has a majority of non-solicitor members and a non-solicitor chairman. The SRA publishes an SRA Handbook, which includes a set of Principles and a Code of Conduct, with which all solicitors must comply.

The SRA has its own powers to sanction solicitors for breach of the Code of Conduct, but it would be expected to refer serious breaches to the Solicitors Disciplinary Tribunal (“SDT”). The SDT is wholly independent of both the SRA and the Law Society. Tribunal members are appointed by the Master of the Rolls.

Types of regulation

There are two main types of regulation of solicitors:

1. Solicitors’ duties as officers of the court

Solicitors are subject to the inherent jurisdiction of the court, so that if wrongful behaviour occurs within litigation already before the courts or is exposed as a result of the subsequent issue of proceedings, the courts would be expected to identify it and take appropriate action. Such action could include costs sanctions and/or a referral of the facts to the SRA.

2. Regulation of solicitors under the SRA Handbook

Solicitors are subject to detailed rules of conduct as set out in the Code of Conduct. For example, the following rules (or their predecessors in earlier versions of the Code) are among those that have been cited in actions against solicitors in relation to IP threats:

- Rule 1.03 (independence compromised)
- Rule 1.04 (did not act in best interests of the client)
- Rule 1.06 (acted in a way that was likely to diminish the trust the public place in the
Some actions are both breaches of the Code of Conduct and breaches of a solicitor’s duty to the court. For example, it is well-established that solicitors are prohibited from making threats to take any action against a member of the public (or any other person) on behalf of clients, including demands for the payment of money, where it is not authorised on the basis of legal principle. Solicitors are liable to sanctions if they misstate the law (e.g. in a letter) and overstep the mark in terms of what may properly be demanded.

Sanctions for breach generally

The sanctions available to the court have already been mentioned.

For lower-level breaches of the Code of Conduct, the SRA has a range of sanctions that it can apply to solicitors, including fines and controls over practice (e.g. requiring the solicitor to be supervised and not operate a solicitors’ practice on his or her own account).

(If the misconduct in question was committed by or within an alternative business structure licensed by the SRA under the Legal Services Act 2007 the SRA’s powers are very much greater (subject to appeal to the SDT) and individuals may be fined up to £50 million and licensed bodies up to £250 million. The Law Society is not aware of any ABSs being sanctioned for behaviour of this kind.)

For more serious breaches, the SDT has a range of sanctions available to it, up to and including disqualification as a solicitor. It may impose unlimited fines and make costs orders.

The SDT publishes an annual report that includes statistics on the sanctions that it has applied. According to the 2015 annual report, the sanctions ordered during 2015 were:

<table>
<thead>
<tr>
<th>Sanction by SDT</th>
<th>Number of orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strike Off the Roll of Solicitors/Register of Foreign Lawyers</td>
<td>56</td>
</tr>
<tr>
<td>Suspension – Indefinite</td>
<td>3</td>
</tr>
<tr>
<td>Suspension – Fixed period</td>
<td>12</td>
</tr>
<tr>
<td>Fine</td>
<td>33</td>
</tr>
<tr>
<td>Reprimand</td>
<td>8</td>
</tr>
<tr>
<td>Order prohibiting Restoration to Roll without consent of Tribunal</td>
<td>0</td>
</tr>
<tr>
<td>Application for Restoration to the Roll – Granted</td>
<td>1</td>
</tr>
<tr>
<td>Application for Restoration to the Roll – Refused</td>
<td>3</td>
</tr>
<tr>
<td>Application for determination of indefinite suspension – Granted</td>
<td>0</td>
</tr>
<tr>
<td>Application for determination of indefinite suspension – Refused</td>
<td>1</td>
</tr>
<tr>
<td>Section 43 Order (Clerks)</td>
<td>2</td>
</tr>
<tr>
<td>Revocation/Review of Section 43 Order – Granted</td>
<td>0</td>
</tr>
<tr>
<td>Revocation/Review of Section 43 Order – Refused</td>
<td>1</td>
</tr>
<tr>
<td>No Order, Costs Only Order, or Case Dismissed</td>
<td>7</td>
</tr>
<tr>
<td>Applications withdrawn</td>
<td>5</td>
</tr>
</tbody>
</table>
Sanctions for IP threats

The above statistics from the SDT cover all areas of solicitors’ practice. IP infringement actions form a small part of the overall practice of solicitors, and therefore one might expect that instances of alleged or actual misconduct would be small in number.

Serious cases in relation to improper threats of IP infringement are, we believe, rare. The SDT keeps records of its judgments and will be able to provide information on specific cases to the Committee.

The Law Society is aware of only two cases which involve unreasonable threats of IP infringement that have been referred to the SDT. From comments made by Committee members during previous hearings I have assumed that the Committee already has details of these cases, but I can supply copies of the judgments of the SDT in each case if required.

The allegations were similar in the two cases and were concerned with copyright infringement. The respondents were accused (so far as relevant) of using their position to take unfair advantage either for their own or someone else's benefit.

In the cases above, one respondent was suspended for two years and ordered to pay costs of more than £76,000 and the two respondents in the other case were suspended from practice for several months, fined £20,000 and ordered to pay interim costs of £150,000.

In addition, I note from a search of the SRA website that at least some of these respondents were subject to further sanctions from the SRA, including restrictions on how they could practice, after their suspensions by the SDT were lifted.

In addition, I note that it was widely reported in the press that one of the respondents was fined by the Information Commissioner’s Office for breach of data protection laws and that, according to press reports the ICO stated: “Were it not for the fact that [the law firm] has ceased trading so that [the respondent] now has limited means, a monetary penalty of £200,000 would have been imposed, given the severity of the breach.”

These cases were widely reported in the legal and other press. In my view, for many solicitors, being subject to publicity of this kind, and being subject to proceedings by the SDT or SRA, would be significant events, affecting one’s professional reputation and practice, irrespective of the actual sanction imposed. I note that neither of the firms for which these respondents worked is any longer in existence.

Thus, the consequences of the improper behaviour for the individuals concerned included, in individual cases:

1. Very significant financial penalties.
2. Suspension from practice.
3. Subsequent restrictions on practice, i.e. requiring supervision.
4. Reputational consequences.
5. Business consequences in relation to their firms.

Speed of obtaining sanctions

The time it can take to investigate, hear and take disciplinary action on a case can vary. In one of the cases referenced above, the SRA began to investigate almost as soon as the problematic behaviour began in 2009. The case was referred to the Solicitors Disciplinary Tribunal in early 2011.
and the final hearing was in January 2012. However, in the Law Society’s experience the commencement of an investigation is often sufficient to ensure that the offending behaviour ceases very soon after the regulator’s initial views are made clear.

I hope this helps to explain the regulatory powers currently held, and the process by which they are exercised.

Yours sincerely,

Mark Anderson  
Chairman, Intellectual Property Law Committee
Letter from the Law Society to the Committee, 2 November 2016

Intellectual Property (Unjustified Threats) Bill - supplementary evidence

During the third evidence session of the Special Public Bill Committee we agreed to write to the Committee in the following respects:

1. To further clarify our position so far as our proposed amendment to section 70B(1)(a) is concerned;
2. To respond to suggested amendments by other bodies;
3. To respond to a question raised by Baroness Bowles of Berkhamsted as to whether the use of the word “may” in section 70B(5) would allow the courts to cut down the permitted purposes provided by section 70B(2).

So far as items 1 and 2 are concerned, we have taken the Annex setting out the Government’s response to various suggested amendments (including our own) and added our own comments. This is enclosed with this letter.

So far as item 3 is concerned, we understand how this might be argued but we question whether this was really why the word “may” was chosen and how that section would be read. It seems more likely that this word “may” was adopted because some of the information identified in section 70B(5) is likely to be “necessary” for some but not all of the purposes identified in section 70B(2).”

I hope you find this information useful.

Yours sincerely

Mark Anderson
Chairman, Intellectual Property Law Committee
Annex A – Response to the specific points raised as possible amendments in written evidence

<table>
<thead>
<tr>
<th>Suggested Amendment</th>
<th>Government Response</th>
<th>Law Society Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Law Society and Intellectual Property Lawyers Association</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clause 1, page 2, line 30 (and equivalents)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70B(1) (a) should be amended to read:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Law Society believe the term “solely” introduces a requirement to consider the motives of the sender of the communication and therefore that the term should be removed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The current drafting is intended to make clear that the permitted purpose requirements only apply to the part of a communication containing the threat (as set out in the explanatory notes).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• I agree that the subjective intentions of the sender of the communication should not be a consideration. We are content that the provisions as drafted do not introduce a need to evaluate the motives of the sender. The law in this regards is therefore unchanged.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The evaluation of whether the part of the communication containing the threat is made solely for a permitted purpose is concerned only with the content. The current drafting reflects this.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We note the Government’s comments about that the requirements only apply to the part of the communication containing the threat. We do not contend otherwise. Our issue is a possible subjective reading of 70B(1) (and its equivalents) so far as the part of the communication containing the threat is concerned.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We also note the government’s view that that the provisions as drafted do not introduce a need to evaluate the motives of the sender. However, this is not explained further and our concern remains that it is far from clear that this is the case from the language of the section.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>However, the Chairman of the Committee raised a number of observations in this respect, which we understand to be as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. The text of section 70B refers back to a “communication”.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The requirement of section 70B(1)(b) that a communication can only include “necessary information” might not catch all problematic communications.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We do not believe point 1 provides an answer to our concern. We accept that whether a communication is a “threat of infringement proceedings” for the purposes of section 70 (1) is to be assessed (as has previously been the case) objectively. However, it neither logically</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
follows, nor is made express in the Bill that whether something is a “permitted communication” involves a similar objective assessment. Indeed, if anything the language of “purpose” adopted in clause 70B suggests otherwise.

So far as point 2 is concerned, the example given was of a letter demanding something that fell within the scope of the “permitted purposes” identified in section 70B(2), that contained information that was necessary for that purpose but also then made a demand that fell afoul of section 70B(4) (e.g. destruction of products).

We believe that this point assumes that “information” in section 70B has a narrow definition that does not encompass an impermissible demand. Again it is not clear that this is the case. However, were “information” to be interpreted in this way, we accept that this criticism would have has some force.

Given this, the Law Society would suggest an alternate amendment (mirroring the wording of section 70(1)) as follows:

New s70B(6):

“whether a communication is made for a permitted purpose is to be assessed by what a reasonable person in the position of a recipient would understand from that communication”

| Chartered Institute of Patent Attorneys |
| Clause 1, page 3, line 46 (and equivalents) | • It is understandable that CIPA would want protection limited to | We consider the benefits to SME’s of this protection are such that the text proposed is preferable to the |
s.70D(2)(b) 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)”. The amendment restricts but retains the legal adviser exemption.

<table>
<thead>
<tr>
<th>Clause 1, page 2, line 17 (and equivalents)</th>
<th>Amend 70A(4)(a) as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(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</td>
<td>(4) This introduces an entirely new concept of “purporting” to be a primary infringer, which would be complex and difficult to prove</td>
</tr>
<tr>
<td></td>
<td>It would risk satellite litigation</td>
</tr>
<tr>
<td></td>
<td>It would undermine the protection for retailers who inadvertently use ambiguous language.</td>
</tr>
<tr>
<td></td>
<td>And it blurs the line between primary and secondary infringers – providing a special case when it</td>
</tr>
<tr>
<td></td>
<td>status quo.</td>
</tr>
<tr>
<td></td>
<td>Nevertheless we share CIPA’s concerns, that the present draft is too broad, where the Bill does not define a professional nor set any minimum requirement for any regulator.</td>
</tr>
<tr>
<td></td>
<td>We had previously suggested to the Law Commission that a distinction should be drawn between those who can validly claim legal professional privilege and those that cannot. The law has long distinguished (for good reason) between those whose advice is privileged and those whose advice is not. It also has the advantage of automatically covering and having a reasonably settled meaning so far as qualified lawyers outside of the jurisdiction of England and Wales are concerned.</td>
</tr>
<tr>
<td></td>
<td>However, CIPA’s suggestion is a sensible alternative approach.</td>
</tr>
<tr>
<td></td>
<td>Although we do not consider this to be of vital importance, we would generally support any amendment that would extend the protection of 70A(4)(a) (and its equivalents) to threats against those who “hold themselves out” as a primary infringer.</td>
</tr>
<tr>
<td></td>
<td>We do not think that this would significantly blur the line between primary and secondary infringers. It simply makes it clear that a person who by reason of their words or actions leads a rights holder to believe that they are engaged in a primary act, cannot rely upon that misrepresentation to justify a claim in threats.</td>
</tr>
<tr>
<td></td>
<td>Further, we do not think this would add a significant</td>
</tr>
</tbody>
</table>
The amendment would provide protection for letters sent to those who hold themselves out as primary infringers. Threats made to those “purporting” to be a primary infringer would not be actionable.

Clause 1, page 2, line 19
Amend 70A(4)(b) as follows:

(4) A threat of infringement proceedings is not actionable if the threat—

(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.

alternative wording suggested in (4)(b):

“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

The amendment would provide a safe harbour for any communications to a manufacturer or importer, including in relation to certain products which they

- Where threats are made to a primary actor in respect of one product, the exemption should not apply to threats in respect of equivalent or different products.
- Such an extension to include equivalent products is too vague, will introduce uncertainty and encourage satellite litigation.
- Such an exemption goes beyond excluding threats to the primary actor and starts to exclude threats to those in the position of secondary actors. This would remove an important distinction.
- Where threats are made to a primary actor in respect of one product, the exemption should not apply to threats in respect of equivalent or different products. Doing so would mean providing special circumstances where the secondary actors can be threatened, overcomplicate the provisions and provide less clarity for users.

We do not support the amendments for similar reasons to those put forward by government.
CIPA suggest that the similar changes could be made to the equivalent sections for other rights.

Clause 2, page 5, line 28

To insert a new section 21A(2A)

“(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.”

The intended result of the amendment is 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

<p>| It is difficult to see how this could apply across all rights. Such a change could therefore mean lack of consistency which undermines one of the key purposes of the reforms |
| The Law Commission have considered this point before, when discussing the draft Bill with stakeholders in 2015, and believe the provisions as drafted, properly construed, cover the point. |
| There is no need for the additional wording CIPA suggest |
| This point can be clarified in the Explanatory Notes, as suggested by David Hertzell in the evidence session on 10th October. |
| We are content for this issue to be dealt with by way of explanatory notes. |</p>
<table>
<thead>
<tr>
<th><strong>Clause 1, page 4, line 16 (and potentially equivalents)</strong></th>
<th><strong>British Generics Manufacturer's Association</strong></th>
</tr>
</thead>
</table>
| Amend 70E to read: “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. (b) In s.70C(3), in relation to an application for a patent, the section should read “infringement of the patent when granted”. This amendment is intended to ensure that the infringement defence set out in 70C(3) only applies once the patent is granted. | **Clause 1, page 2, line 34**  
To amend 70B(1) as follows: “all of the information that relates to the threat is information that—  
(a) is necessary for that purpose (see subsection (5)), and  
(b) the person making the communication reasonably believes is true.” The intention of this amendment would be to “raise the bar” for what  |
| • This is a pure technical drafting point  
• The current drafting already reflects the position which CIPA aim for. It is not possible to infringe a pending right. The Patents Act 1977 requires the patent to have been granted before any retrospective “infringement” of a pending right can have taken place. Reading s70E in combination with s.70C(3), and in light of this point, it is clear that there is no defence for infringement of a pending right until that right is actually granted.  
We agree with the government that this is a technical drafting point and also agree that the most sensible interpretation of the provisions is as the government states.  
Nevertheless, we do think a provision that on a strict construction contemplates “infringement of a patent application”, is less than clear and could be improved.  
However, we would suggest that any amendment should make reference not to “the patent when granted” but instead “the patent as granted”.
| • This is too high a hurdle. No rights holder could ever be certain they are safe to make a permitted communication at all.  
• The test of reasonable belief / reasonable person is well known in many areas of law and therefore provides sufficient clarity.  
• This would simply lead to arguments over what is “true”,  
We are in agreement with the government for the reasons that it advances and do not support this amendment. |
Information may be included in a permitted communication, requiring that information in relation to the threat is true.

| would lead to additional complexity and possible satellite litigation, and so would not improve the law in the way desired. |
|---||---|
| The test as it stands places the burden of showing reasonable belief on the rights holder. This is right since they will be best placed to determine the accuracy of information relating to the right in question. This also strikes the right balance between protecting third parties from unjustified threats and allowing rights holders to legitimately enforce their rights. |
Letter to the Committee from the Chartered Institute of Patent Attorneys

2 November 2016

Introduction

We refer to the Oral Evidence sessions of the Bill and the further questions which have been put to us since giving evidence on 24 October 2016.

Exemption for Legal Professional Advisers

The Committee has put two questions to us:

1. Are you confident that it would be sufficiently clear for other national jurisdictions (beyond the UK) what legal service regulators would be equivalent to the regulators defined in the Legal Services Act 2007?

2. And are you confident that narrowing the relevant regulatory bodies to the approved regulators as defined in the Legal Services Act 2007 wouldn’t cut out any professional advisors regulated by other regulatory bodies that should not be excluded?

Response to question 1

At the moment anyone who writes a letter on behalf of their client is potentially caught by the Unjustified Threats provisions. The question is who is it that the Act is seeking to exempt?

Whilst we had understood the original intention to be that solicitors, barristers, patent attorneys and trade mark attorneys would be exempt, this new provisions also exempts lawyers and patent attorneys in other jurisdictions.

It would then be for those overseas attorneys seeking to rely on the exemption to show that they are regulated in a similar manner. We are aware, from the work done in relation to the Unified Patent Court, that qualification and regulation varies widely across Europe.

Response to question 2

The Legal Services Act 2007 applies to England and Wales. It does not apply to all parts of the UK covered by the IP legislation, in particular it does not apply to Scotland and Northern Ireland. So, on its own it would not be enough to extend the exemption to all parts of the UK.

However, within England and Wales, we understand that all those using the professional title solicitors, barristers, registered patent attorneys and registered trade mark attorneys are regulated under the Legal Services Act by their respective regulator. However, not all of those who qualified as e.g. solicitors or patent attorneys choose to be regulated. Some provide advice outside the regulatory regime, but not using the protected titles.
European patent attorneys are qualified to practise before the European Patent Office. They are regulated by the European Patent Institute. They may additionally be qualified in the UK, in which case they would be regulated under the Legal Services Act, or in their home state, where they may or may not be additional regulations.
The Legal Services Act also regulates other legal providers such as those providing conveyancing, notarial services or probate. However, there are other regulators in the UK which do not derive their authority under this Act – e.g. those regulating financial advice.

Comments on the Government’s response

The Government’s response that the aim is to help those seeking legal advice, suggests that they are happy to extend the exemption to someone who may not have a legal qualification.

We had concerns with, for example s70(D)(2)(b), the lack of definition as to what is required for a body to be a “regulatory body”. The Government’s response does not deal with this. So we still have concerns that “regulation” does not have to stem from any Governmental authority but could come about by a group of individuals forming a membership body which then purports to “regulate” their practice.

In-house lawyers

We have heard the evidence around these concerns. In-house lawyers, patent and trade mark attorneys acting for their employer in accordance with e.g. enforcement policies should benefit from the exemption as well.

Who can be threatened - patents

S70A(2) permits a threat in respect of the act of manufacture and importation. However, it does not permit someone to set out their full case and all the relief they would like. This is the Cavity Trays issue. S70A(4) provides some remedy to this, but only if the person is actually a manufacturer or importer and then only to a limited extent.

In most pre-action correspondence, one sets out the full case and what relief you want. The threats provisions will still not permit that. Instead the provisions still lay traps for those who are genuinely trying to set out a case in pre-action correspondence.

So if the information on a product or website suggested that X was the manufacturer and you wrote to them in those terms – then you would not have the benefit of the section if it turned out that someone else (potentially a different group company) was actually the manufacturer. We therefore think it right that “purports to be” should be added to S70A(2).

Once someone has manufactured or imported or purported to do so, we think it would be helpful to have broader language in relation to the type of product or process in relation to which you could then ask them to stop using or selling. However, we accept that there may be better ways of wording this and understand that the Government will resist any rewording of this sub-section.

One of the Government’s objections to this wording was that “It is difficult to see how this could apply across all rights. Such a change could therefore mean lack of consistency which undermines one of the key purposes of the reforms”. However the acts of primary infringement (s70A(2)) already vary from right to right and our suggested amended wording
to s70A(4)(b) also varied as they moved across the different rights to mirror the different acts of primary infringement.

**S70E**

We have read the Government’s response. We agree the amendment is a pure technical drafting point. However, we disagree with the Government’s view that no amendment is needed.

This sub-section is a new addition to the Act and it says that the words “patent application” can be substituted for “patent” throughout. It does not say that the substitution should only take effect where it makes sense to do so. So there is the potential to argue that a threat to sue for infringement of patent application can be justified by reference to the claims of the pending application. Whilst the judges may yet rules that this should be the effect of the section, this will not stop parties arguing for a different construction. So we continue to think that a clarifying amendment should be made.

**Who can be threatened – trade marks**

We have noted the comments made and the suggestion by the Law Commission that a note be added to the Explanatory Notes. We have not seen the proposed amendment and so cannot say whether that will have the desired effect.

We note that the BBC have raised a similar concern, and have reviewed the written evidence from the BBC. We agree with the concerns that they have expressed, which overlap with the concern we have set out. Whilst their proposed amendment would result in a different effect (as noted by Baroness Bowles), we believe that we would have no objection to their proposed wording in relation to the use of the word “apply” (that is the CIPA proposal with the omission of the words after “packaging”) – although we have not yet seen their final proposal.

We believe that the proposal for an addition to the Explanatory Notes is a positive step forward. We would nevertheless recommend wording within the section which made express provision. There are two reasons for this:

1. As explained below the current wording invites a question as to what the word “applying” and “apply” means.

Clause 21A(2) reads: “(a) applying, or causing another person to apply, a sign to goods or their packaging”

The fact that the words “applying” and “apply” also refer to packaging suggests that this is a physical application. It is difficult to see how application to packaging would usually take a relevant form other as physical application. A natural inference is that “apply” when referring to the goods has the same meaning, rather than a conceptually different meaning which includes virtual application to the goods. That means that there is a risk of the term being understood narrowly by a reader of the amended section in the proposed new Act;
2. As was made clear in the BBC’s evidence, even if this ultimately turns out not to be the case, because a court confirms the interpretation, it is an issue which currently is not resolved and has, and will potentially continue to have, an effect on rights holders seeking to enforce their rights in what is becoming a leading distribution channel, similar to the concerns expressed by the BBC.

Law Society’s amendment to permitted communication

We agree with the Law Society. The section runs the risk of being overly prescriptive and should be amended.

We have seen a draft of the Law Society’s response to the further questions on this topic and have nothing further to add.

British Generics Manufacturer’s Association’s amendment

We do not agree with this amendment. To set the bar at that level would be too high.

CHARTERED INSTITUTE OF PATENT ATTORNEYS
2 NOVEMBER 2016
Special Public Bill Committee

Intellectual Property (Unjustified Threats) Bill [HL]

Corrected oral evidence: Intellectual Property (Unjustified Threats) Bill [HL]

Monday 31 October 2016

3.35 pm

Watch the meeting

Members present: Lord Saville of Newdigate (The Chairman); Baroness Bowles of Berkhamsted; Viscount Hanworth; Lord Lucas; Baroness Neville-Rolfe; Lord Plant of Highfield; Baroness Wilcox.

Evidence Session No. 4 Heard in Public Questions 29 - 39

Witnesses

I: Chris Oldknow, former chair of the Anti-Counterfeiting Group; Mark Ridgway, IP Federation.

II: Diane Hamer, Head of Business & Legal Affairs, Brand Protection, BBC Worldwide; Alexis Hawkes, Head of Intellectual Property, BBC; and Jessica Stretch, IP Counsel, eBay.

USE OF THE TRANSCRIPT

1. This is an uncorrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

3. Members and witnesses are asked to send corrections to the Clerk of the Committee within 7 days of receipt.
Examination of witnesses

Chris Oldknow and Mark Ridgway.

The Chairman: Good afternoon, everybody. On behalf of the Committee, I should say that I am sorry that you were delayed slightly; it was because there was a Division in the House and the rules require us to adjourn while that takes place. We would like to welcome both those who have come to listen and in particular the oral evidence that we will receive this afternoon: from Chris Oldknow, former chair of the Anti-Counterfeiting Group, and Mark Ridgway on behalf of the IP Federation.

We have supplied you with some questions. They are far from exhaustive but are intended to get our discussion going this afternoon. Before we ask them, would either of you like to make an opening statement?

Chris Oldknow: Thank you. I am Chris Oldknow, former chair of the Anti-Counterfeiting Group in the UK. The group represents about 160 organisations, from small but successful brands such as Cath Kidston through to companies such as Mulberry and on to Jaguar Land Rover and Unilever—a very wide range of branded goods rights-holders. My background is that I was at Microsoft and then at NBCUniversal, enforcing their rights over the past nearly 20 years. I now run a consultancy and provide policy advice to the International Chamber of Commerce’s Business Action to Stop Counterfeiting and Piracy initiative.

Our concern relates to the future of commerce—to online commerce and international business as it is developing very rapidly now. Counterfeiting has always been with us and has been at a fairly high level for quite a long time. But it is still growing—and growing faster than world trade. In its recent report the OECD stated that in 2013 it amounted to 2.5% of world trade—$461 billion-worth—whereas in 2008 it was a mere 1.9% of world trade, or $200 billion-worth. So there is a fairly large amount of cross-border counterfeit trade.

We stand on the edge of a very large change in our economy as large digital platforms connect up small businesses and consumers across the globe. We have started to see that with issues such as Amazon becoming a non-vessel common carrier—in other words, a large shipping company without any boats. Alibaba has been talking about its plans for growth, and they are enormous. Its estimations of cross-border trade with China are 30% year-on-year growth in the B to C space: business to consumer. Accenture and Alibaba predict that the $230 billion value for that cross-border trade in 2014 will grow to $994 billion in 2020.

When we come to the issues that we will be talking about—I know you will hear from the BBC and eBay later—in a way, when you hear about that problem, it is almost the problem of the last decade, because the scale is about to magnify.
**Mark Ridgway:** Very briefly, my name is Mark Ridgway and I am here on behalf of the IP Federation. I am also a private practice solicitor. The IP Federation, as you probably know, is the trade body for British-based innovative business. Members include most of the large household names in British industry.

I will state briefly where the IP Federation is on the Bill. We have not commented on it since the initial consultation. Happily from our perspective, the approach taken was largely aligned with the responses at the time. For example, we were in favour of an evolution in the law rather than a general purpose new tort. We were in favour of aligning the position between the different IP rights because we felt that the current provisions were too complicated and, at times, overly broad, which all contributes to legal spend whenever one is dealing with the enforcement of IP. I am sure that we will come on to the details of that.

**Q29 The Chairman:** Thank you very much. We will move now to the questions. I will start with the first one. What is the scale and seriousness of the problems with the current law on unjustified threats?

**Mark Ridgway:** I will go first with the more traditional industry view. Data is hard to come by, obviously, but we can certainly say that whenever one is engaging in an IP infringement issue and contemplating engaging with the alleged infringer, as the rights-owner you will always go through the cycle of thinking about the threats provisions. That is true whether you are writing to a primary infringer or a secondary one. You need to work out at present, as regards your letter, which may be raising several issues of IP infringement—not just patents but trademarks et cetera—whether you are compliant across the piece. That involves thinking through the issues. It involves advising your client on why you have been spending time thinking through these things, because the provisions are not necessarily that intuitive, particularly to a client from outside the jurisdiction. You need to explain the risks in writing any letter. Writing a letter saying that your IP has been infringed is a perfectly common-sense thing to want to do, and you as the lawyer have to spend time explaining why, in particular circumstances, care is needed. So it is a matter of saving on legal time.

**Chris Oldknow:** The point you mentioned about foreign clients is important. Inevitably there will be people within companies in the UK who are going to be writing to foreign companies in their jurisdiction, not knowing what their equivalent of our threats legislation is. You can think of a reverse scenario of, say, an Australian brand wanting to contact a British seller about an issue elsewhere. They will not know what our legislation is. How our threats legislation exists and/or develops is one area that we need to keep an eye on.

In terms of scale and seriousness, I certainly never received any response that said, “What you said amounted to a threat” in all the letters I sent on behalf of the various companies I worked for—well, the two companies I described. There are clearly what are often described as bad-faith notices in the automated systems of large platforms. There is
an amount of that that seems to go on. But it is clearly at a very low level because very little data is available; platforms provide a large amount of data on almost everything other than that. So it tends to be anecdotal. I suspect that is generally the case; these things are anecdotal. On the question of how many of these sorts of disputes ever reach a court, be it civil or criminal, in this jurisdiction or elsewhere, it is an incredibly small tip of a very large pyramid.

**Q30 Baroness Bowles of Berkhamsted:** I have a few questions, so I may as well slot one of them in here. It is really for the IP Federation. Going back to the evidence you submitted in 2013, one thing you said was that you thought that threats made in good faith—in essence, believing somebody to be the primary infringer—should be exempt. I am paraphrasing your wording, but you thought that if a letter was sent off in good faith because you believed somebody was a manufacturer, it should be exempt. That has not been taken up, although an amendment has been suggested that if somebody is purporting to be that, it should not give rise to an accidental threats action. Have you any views on that?

**Mark Ridgway:** Yes. I am just reaching for our response right now, if you could remind me of the question.

**Baroness Bowles of Berkhamsted:** I am sorry, I should have told you which section.

**Mark Ridgway:** The one that springs to mind is a response in relation to the good-faith defence, which is currently in the patents legislation, where the patent turns out to be invalid, but at the time the patentee did not know that to be the case. I think we have said that that good-faith defence should remain, which is probably one point of difference between where we were and how the Bill has ended up.

On your point about writing to someone believing that they are the manufacturer, that probably breaks down into two separate things. First, if you write to them saying that you are a manufacturer, you infringe and you are wrong about that, on my reading at least the threats provisions under the Bill would not be triggered. That was my reading; I stand to be corrected.

There is a second case in which you write saying that someone is infringing a patent by making this product and selling it. If you are wrong about the former, the latter becomes a threat. I do not recall us taking a position on that second question, but we could do, I am sure, if you would like us to. I could certainly go back to the IP Federation council, which is how we arrive at our position, and confirm, but I do not recall that we had a position on that previously.

**Baroness Bowles of Berkhamsted:** I do not think the point needs to be greatly elaborated on. It is just a general point about good faith—but you would have to get back to us by Thursday.

**Mark Ridgway:** While Chris is speaking I shall look through the response and find the question.
**Chris Oldknow:** The point you are raising is a good one. It comes up in the context of online trading platforms in relation to whether I know the seller is a manufacturer or, much more likely in this scenario, an importer. It goes to a question that I am afraid I did not manage to resolve prior to coming here. To the extent that the person who is selling on the platform sells to somebody but the goods simply come straight through the post and turn up from China with an EMS sticker on them, does that mean that the person who is trading on the platform is in fact the importer, or is that simply the consumer who receives the goods? If you have a good-faith belief that the person who is a trader on the platform is essentially the person creating the transaction, that is where the good-faith belief comes in, as far as I can see.

In the trademarks piece, we talk about not only applying but causing another to apply a mark. That causing another to do something is absent from anything else within the scope of what would amount to a primary infringement.

**Mark Ridgway:** You are absolutely right; it was question 6 of the initial consultation response—that if the person believed in good faith that the recipient was intending to make or import the product, it was not unreasonable also to threaten infringement action. I stand by that, although I can see that it would be slightly tricky to draft for.

Your other point about the patent being invalid at the end of the day is clearer. That is already in the patents legislation. Drafting has been produced, although I am not aware of too much case law on it. That may have been dropped; we were not quite sure.

**Viscount Hanworth:** I am still very unclear about the scale and seriousness of the problem of the law. You have told us that there is a huge problem with illicit trading, but you have also said that there are very few cases, if any, where somebody has sued because of an unjustifiable threat. My question is therefore: does the law really impose an unreasonable inhibition on your pursuit of your commercial interests if you are a corporation member of your group, or are you perhaps confusing the problem of the law with the problem of illicit trading in general? In other words, are inhibitions imposed by the law on your reasonable pursuit of your commercial interests?

**Mark Ridgway:** Certainly the law imposes an unnecessary burden in terms of legal advice, which does not need to be as high as it is as things stand. There are certainly cases where threats actions are brought among all sizes of companies. I do not think there is answer to the question of whether that is right or wrong. Certainly threats actions should exist in some form. The IP Federation was clear that it supported having a law of unjustified threats. The question is how those threats actions should be triggered and whether we can achieve more clarity as to exactly when they will be triggered so that the companies, or their advisers, writing the letters know exactly what will happen.
**Viscount Hanworth:** I am sorry, but that still does not help me to measure the scale and seriousness of the problem. I understand that we would like a little more clarity in the law.

**Mark Ridgway:** It is a real problem. It costs businesses money, so in that sense that is how serious it is. I cannot give you a figure, because there is no data that I am aware of.

**Viscount Hanworth:** Yes. One really cannot put a monetary figure on irritation and head-scratching, can one?

**Mark Ridgway:** It is more than that. There are definitely legal costs, whether the counsel is in-house or external—but saying quite how much that is, and moreover how much would be saved by these changes, is the difficult bit.

**Q31 Baroness Wilcox:** The question broadly is whether the Bill will help businesses to protect their intellectual property rights. Obviously this question has several elements to it, so if I may I will give it to you as two questions and you can decide which of you will answer first, if that is okay.

First, will the Bill provide greater clarity about who can be threatened without the danger of the threats provisions being invoked? This, as you know, is with particular reference to the Cavity Trays problem, which had previously blurred the line between primary and secondary actors.

Secondly, will the Bill make it easier for businesses, both large and small SMEs, to get appropriate legal advice and assistance by removing liability for advisers so that they can act solely in the best interests of their clients in considering whether to make a threat without being worried that they themselves will be sued?

**Chris Oldknow:** The brief answer to those questions is yes and yes. On the question of how big an impact that is, I do not think I am in a position to say—but, yes, the Bill brings us a little more clarity. By indemnifying legal advisers it should enable them to give advice without asking for things that smaller businesses in particular are less able to offer by way of indemnity and the like. In general—this goes to the question that was asked earlier—there is a sense in which an enormous amount of uninsured risk is taken by people writing letters who do not know what they are doing or do know but think that it is better to write the letter to the secondary infringer and deal with the issue than worry about whether the secondary infringer is going to pick up on it and take you up on an unjustified threat.

**Mark Ridgway:** I certainly agree that the answer is yes and yes to the questions. Actually, I was given a slightly different formulation of the second question. It would certainly make things easier for businesses of all sizes to understand where they are with the law, what the consequences of their letters might be and what they can do if they are the recipient of a letter. There are still points of drafting perhaps that could be clarified. The Law Society made one suggestion—I read Sir
Robin Jacob’s discussion of the word “necessary” and whether that is too high a threshold—on the interests of justice paragraph. The word “necessary” also crops up elsewhere in relation to permitted purposes. You might ask whether “necessary” is the right word or whether that is too high. But, overall, our position is that it is certainly an improvement and therefore will increase certainty and save legal costs for all concerned—to a degree.

Baroness Bowles of Berkhamsted: If I could follow on, do you think the wording used for the Cavity Trays extension, if we can call it that, that has been put into patent law and is now being rolled out everywhere is sufficient to cover what you might want to write in a letter that is also seeking an undertaking? If you are trying to resolve it without going to court, that is. Bear in mind that this is to a primary infringer, but obviously you want to deal with the delivery and that sort of thing, in the sense that it does not cover substituting other products or basically still infringing but by commissioning them from somewhere else.

Mark Ridgway: So you write in relation to one product but want to catch similar products with the same set of undertakings.

Baroness Bowles of Berkhamsted: Perhaps think about how you might write your undertaking.

Mark Ridgway: Yes. Let us start with the letter. You made the point a short while ago about whether the primary infringer is in fact a primary infringer for that product. If we have a list of 10 products and they are the primary infringer in respect of all of those, there is no problem. But if even one of those products is one that they are not actually intending to manufacture, I think you have made a threat in relation to that one.

Baroness Bowles of Berkhamsted: I am not sure that is quite what I was asking but it is an interesting point all the same. I was thinking that if they are manufacturing a product by a process, for example, they might seek somebody else to make it and substitute it that way.

Mark Ridgway: So you would be writing to them on the basis that they had used the process, and your undertaking would have stopped them from procuring the use of the process by a contract manufacturer. That is not the point that I had considered but I will consider it now.

Baroness Bowles of Berkhamsted: I do not think the wording here would cover you trying to block off those other routes. The question therefore is—

Mark Ridgway: “Should you?”

Baroness Bowles of Berkhamsted: Yes. Is it fair? Maybe if you compare what you would really want in your undertaking—in a fair way, not in an overreaching way—does it deliver that?
Mark Ridgway: There is the provision about “the interests of justice”, which would allow the court at least to apply that discretion. Asking for undertakings would never be a permitted purpose.

Baroness Bowles of Berkhamsted: It says “may”, actually—it “may not be”. There are quite a few “mays” in this article.

Mark Ridgway: That one is probably particularly unhelpful, isn’t it?

Baroness Bowles of Berkhamsted: I think that “may” is meant. We are not sure whether the next “may” is.

Mark Ridgway: From reading it now, I think that if you are writing to a primary infringer asking them not to use the process, and you put in a draft undertaking that says, “You will not make it or procure it from others”, that is not covered by the Bill as drafted.

Baroness Bowles of Berkhamsted: In 4(b), a bit before line 20?

Mark Ridgway: In 4(b), yes. At that point, if the primary infringer has already used the process themselves, you are okay. If you are wrong about that and they have not, and they never intended to contract it from a third party, perhaps you would not be okay. It is a fairly fine point and I would have thought that in those sorts of circumstances the court might exercise discretion—but that is probably not a question I can answer.

The Chairman: We can move on to the next question, which I am going to ask the Minister to put to you

Q32 Baroness Neville-Rolfe: My question builds on what Baroness Wilcox was saying. It is a broad one: do you agree that the Bill will make it easier and cheaper for all parties to negotiate a settlement and avoid litigation? Will it help business to reduce what it has to spend on legal advice? I am interested in the brands that Chris Oldknow mentioned in his opening remarks, and in smaller companies. As you will know, in previous sessions we have been trying to tease out the value of this to the smaller companies that matter both in our domestic market and increasingly in our export markets, as has already been said.

Chris Oldknow: In terms of getting legal advice for small businesses, there is a better shot by going to an outside lawyer and saying, “Will you do this for me?”, and them not saying, “Only if you give me an indemnity”, because they will already have some protection. So to that extent, the answer to your question is yes. When it comes to the way in which small businesses will have to operate in a platform economy, they will not be protected by this in terms of what they are trying to do. When we look at small businesses as they become successful, we see that they explode much faster than their ability to protect their rights. This happens time and again. They immediately find the platform flooded by competitors ripping them off. The question is how quickly they can recover from that scenario and try to clean the platform before their business disappears. They have invested in growing in order to try to keep up with demand, but suddenly that demand is being taken away
from them. They are not necessarily equipped in the way that a large company would be in terms of knowing how to take on that sort of challenge.

That brings us to the question of how, in a platform-based trading scenario, they get rid of those people off the platform. I know you will hear a chunk of that today from the BBC and eBay. At the moment we have a carve-out that says, "If I’m looking to try to discover the identity of the person, notifying the platform may be okay". Actually, though, if you are looking at high volumes, in the end the identity of people who are infringing you is not always particularly interesting. Just as we have seen with site-blocking injunctions in relation to copyright, there are large volumes of people who are well beyond the jurisdiction and probably not who you are going to go after. You are going to send notices irrespective of whether or not you can find out who those people are, because you are never going to see them—the next one will come along, and then the next one.

Alibaba, on its own proactive basis, took 180,000 stores off its platforms in a year. The question of that piece of protection—whether you are simply going to add an extra layer where businesses have to go through the process of looking like they are asking the platform for the identity of the infringer when really what they are trying to do is ask the platform to just go ahead and take down a listing—is one that needs a bit of thought. I am not sure if it is for this Bill or whether it is something you will have to address in, say, the Digital Economy Bill.

**Baroness Wilcox:** I am interested to hear how you phrased the bit about a small or medium-sized company and the very exciting explosion that happens when it has done something that has turned out to be right and it starts to really go. You can see that this is going to be a difficulty for those companies. The original question was whether the Bill would make it easier for businesses both large and small, and you have said that it will for a large but not for the small. If you are saying that if a small company has got it right—and if it has, it is going to grow very quickly—would you suggest there is any way you know of in which they could better be helped along that part of the road?

**Chris Oldknow:** To my mind, that is where this question of trying to think of how the threats provisions do or do not work in an online platform environment requires a slightly different lens. You are not really involved in the good old-fashioned Queensberry rules of identifying the other party, sending snotty letters, as my wife would call them, to each other and then sorting out a dispute, either through undertakings or through litigation. You are really, for the most part, talking about a game of whack-a-mole and search-engine optimisation—who can get to the top of the tree first so that they are the visible site.

In terms of casting the permitted communications in ways that allow notices to be sent to platforms to make that happen, that is the area where you would be assisting small businesses by allowing them to send notices without worrying about this. The practicalities are that lots of
large companies will recognise that you just take the risk, because the transactions are mostly at a small enough level, so who cares? But others will get very worried about that. Although they are unjustified threats in the meaning of the term, to the extent that you are writing to a non-existent seller rather than the actual manufacturer, you are not doing a social wrong in any massive sense; you are just exposing yourself to a potential liability.

**Baroness Wilcox:** So this is not going to be much help to a small-size business.

**Baroness Neville-Rolfe:** I would like to come back in.

**Baroness Wilcox:** We will now have a quiet argument between ourselves.

**Baroness Neville-Rolfe:** I used to work in retail. Obviously, that is a mixture of shops and online—increasingly online. It seemed to me that some of these provisions could help some of the smaller people who were engaged in the supply chain and therefore that the proposal had merit—and not only for the big brands. If you are saying something different, we need to be clear about that. Clearly, you are saying—I think rightly—that online introduces challenges, particularly where there are no borders.

**Chris Oldknow:** Yes, that was really my point. In a sense, the Bill in many ways addresses some problems of 20th-century trade in ways that are somewhat helpful. What we need to do is to be careful that we create a system that does no harm compared with the current position when it comes to online—but it is worth thinking about how our threats provisions actually function in a multijurisdictional-platform economy.

**Lord Lucas:** If one of these fly-by-night imitation traders decided to use the provisions of the Bill to say, “You issued me with an unjustified threat, you never did your research, I am not a manufacturer and I am not the importer”, would the courts actually award damages under those circumstances?

**Chris Oldknow:** The scenario is more likely to be one where what you see over time is individuals who initially found that they were buying their own stuff online and then thought, ”Hey, I could start selling”—so they become the online equivalent of a corner shop, except that their trade grows and grows. They might look at themselves and go, “Well, actually, I’m not the importer. I set up the transaction and take the money but the goods are directly exported from the Chinese manufacturer straight to the consumer. Maybe I’ve got a shot here at unjustified threats because I am getting annoyed at the fact that the brands are trying to stop me doing the selling”. That is plausible.

The other side is, although we are talking about them as fly-by-nights, actually we are using China as an example because most things are made in China and therefore most infringement happens in China. As economies change, this will spread across different jurisdictions. When
you look at how that works in China, Chinese sellers are highly aggressive at using the equivalent of a threats-type scenario in the way that they complain about bad-faith notices—that is the phrase used in this context. I know that China is just about to reform its e-commerce law, and this will be a very live issue in that review as well.

**Lord Lucas:** So would you make changes to 21C(3), which was the protection pointed to by the BBC, and say that, actually, if you are faced with playing whack-a-mole, you ought to be allowed to play whack-a-mole?

**Chris Oldknow:** Probably, yes—but, if not, in something like the Digital Economy Bill, we should look at how we deal with notice and take down for platforms. Europe tried to do it with its notice and action draft directive three or four years ago and ran into the sands because of the difficulty of trying to work out what the process should be that would be fair in all contexts. Europe is going to have another crack at it, but it is a perennial problem. In the US copyright context, it has something called the Digital Millennium Copyright Act, which has provisions around how to deal with notice and counternotice and things not being abusive.

**Baroness Neville-Rolfe:** Do you think that the issue is mainly about copyright, or is it about the other IP rights as well that you are describing? Obviously the Bill does not cover copyright, for good reason.

**Chris Oldknow:** Absolutely. This is not really about copyright. When you look at what happened, most of the site-blocking injunctions that have been brought in this country were brought in relation to copyright issues. But increasingly they have moved across and we have seen more litigation in relation to trademarks, both to show that it can be done and also to show the scale of the issues. We will see that pattern and we will see that happening because what we will have is cross-border players, where the operation of the invention will be divided across jurisdictions. You will have servers that are controlling “internet of things” items in this country and the only things that will be in this country will be commodity bits of electronics and the wire that attaches to them. All the things that are doing the real infringement will be sitting offshore. So with that concept of having to deal with infringements that are coming across our borders, whether they are in patents, trademarks or designs, it is incredibly important not to be distracted by the fact that it came first to copyright.

**The Chairman:** Mr Ridgway, do you have anything to add to the debate on this question?

**Mark Ridgway:** Not a great deal. The basic view that we have is that the legal costs will be reduced and certainty will be increased for most businesses, big and small, and whether or not they are rights-holders. From our point of view, the particular challenges in online and cross-border infringement are not being made any worse—but I do see the points that have been made.
The Chairman: The next question is for me to ask. In fact, there are two questions. The first is: are there any amendments to the Bill that you would suggest? Secondly, would you support any amendments to the Bill suggested in the written evidence? On the latter question, there are a number of suggested amendments in the written evidence. If it is convenient, I would like you, instead of answering the question now, to provide any answer you wish to give in writing to us before—I am afraid—Thursday, which is our deadline for receiving evidence. But if you do support any of the amendments to the Bill suggested in written evidence, could you please let us know by Thursday at the latest? What about amendments that you yourselves may wish to suggest: are there any?

Mark Ridgway: Not at this point. Unfortunately, the timing has not been such that the IP Federation council has been able to consider the amendments. It is in preparing for this that one looks most closely at the documents. So there may be some we could suggest, but I appreciate that it is somewhat late.

On the point about permitted purposes, the question that I had in mind on reading the Bill very carefully was: when is it necessary to say anything at all when you are notifying the existence of a patent? Is it then necessary to go into the other matters that are listed? There are examples of things that may be necessary, but it somewhat begs the question: is it necessary to go into any of that if one is notifying the existence of a patent? I was left with uncertainty still as to quite how far one could go down that road. Perhaps it would be helpful to clarify, either by removing the word “necessary” or by saying, “It is viewed as necessary to have the following”.

The Chairman: This leads to a point that, perhaps wrongly, has been slightly worrying me. In the patent part of the Bill, Clause 70B(5) states: “Examples of information that may be regarded as necessary for a permitted purpose include”. I was slightly concerned by the word “may”. I am not sure whether it means that the examples “are to be regarded” or “may or may not be regarded”. If it is the latter, the Bill loses quite a lot of its purpose because people are no longer clear in their mind as to whether this is information that they can or cannot give. I was wondering whether a better word than “may” would be appropriate to use in that connection.

Mark Ridgway: That is the point I was labouring at, which you have explained better. To me, the word “may” is permissive—it may or may not be necessary.

The Chairman: I think why the draftsman put it in is that Clause 70B(4) states, “But the following may not be treated as a ‘permitted purpose’”, which uses “may” in a fairly clear sense. It could be that the draftsman felt that having used “may not” in subsection (4), “may” had the opposite meaning in subsection (5)—but I am just not sure that that is so. I would not want to leave anyone in doubt as to whether or not they are allowed to provide the information listed in subsection (5), or whether they may
or may not be.

**Mark Ridgway:** Yes. Clause 70B(2)(a) states that a permitted purpose is “giving notice that a patent exists”. Frankly, you could say no more than, “Here is the patent number”, full stop—whereas, if the objective is to allow a more open and fulsome discussion, then including those items that are listed in subsection (5) would be more helpful to all concerned.

**The Chairman:** I ask you to consider that. If you think there is anything in the point, let us know by—I am sorry to repeat this—Thursday. That is the last day on which we can receive evidence.

**Baroness Bowles of Berkhamsted:** Could I clarify something? When you talk about the word “necessary” in subsection (1)(b)—in the phrase “is necessary for that purpose (see subsection (5))”, which I think you have just been talking about—were you in any way interpreting that “necessary” as meaning that you had to state all the things in subsection (5)? The way you explained it sounded a little like that, but you may not have meant that.

**Mark Ridgway:** No, that is not what I meant.

**Baroness Bowles of Berkhamsted:** Good. We did not want an extra meaning for that; we have already got two.

**The Chairman:** According to my list, we have got to the end of our questions, with the exception of the question that Baroness Wilcox would like to ask about the support that people get from the IPO.

**Baroness Wilcox:** Is it adequate?

**Chris Oldknow:** Can I ask you to clarify slightly? Do you mean in terms of the advice when businesses contact it for advice about the intellectual property system in general?

**Baroness Wilcox:** Right the way through, for small to medium-sized businesses. One ought to be able to go back and ask a question, get an answer and feel more confident. I just wanted to know whether you felt that they are getting the help they need when they are coming at you obviously not knowing how to cope. Does that come anywhere near you, or are you dealing only with the very big clients and so do not come across that very often?

**Chris Oldknow:** As I said, I was with the Anti-Counterfeiting Group. The wider community of brands that are affected by counterfeiting, which I have therefore had to deal with over time, range from the very small upwards. My experience of the IPO directly has been that it has been getting noticeably better over time; it is probably fair to say that it has become much more user-friendly in the last five-plus years. It has worked pretty hard on, for example, the introduction of the IPEC, the small claims court for IP cases. Some of its other initiatives have also been targeted at this. I used to be involved in some of the roving briefings that it used to do to the British Chambers of Commerce and the
like. So it is pretty proactive. I have some experience of foreign intellectual property offices, and many of them are somewhat further behind in the change from being administrative, box-ticking, paper-processing offices through to being more like business advice services. It is fair to say that our IPO is much more of the latter these days.

Baroness Wilcox: That is helpful

The Chairman: That concludes the session so far as you two witnesses are concerned, save to thank you very much on behalf of the Committee for your helpful and useful evidence for us to consider.

Examination of witnesses

Diane Hamer, Head of Business & Legal Affairs, Brand Protection, BBC Worldwide; Alexis Hawkes, Head of Intellectual Property, BBC; and Jessica Stretch, IP Counsel, eBay.

Q35 The Chairman: Welcome to Jessica Stretch, IP counsel for eBay, Diane Hamer, Head of Business and Legal Affairs, Brand Protection, BBC Worldwide, and Alexis Hawkes, Head of Intellectual Property, BBC. I notice that you have been sitting at the back listening to the questioning. We will adopt the same procedure with you. We have a list of questions, which I think has been supplied to you. That does not necessarily mean that those are the only questions that we are going to ask, but we will start with those. I will ask the first question, which is rather long and convoluted, but I will read it out for the transcript.

For a person who threatens a secondary actor to have a defence against an unjustified threats claim, they must demonstrate that, having taken all reasonable steps to identify anyone who has carried out a primary infringement, they have failed to do so, and notify the recipient of the threat of the steps that they have taken. The BBC’s written evidence argued that this is unduly onerous in respect of online infringements, where it will often be impossible to differentiate a primary actor from a secondary actor. Have the BBC witnesses been reassured on this point by any of the evidence that the Committee has received? If not, is there any change to the Bill that they would suggest?

Diane Hamer: Thank you for giving us the opportunity to come and give evidence today. We appreciate that and the amount of engagement that we are able to have on this issue. I do not mean to start out on a negative, but I have not seen anything in the evidence—I think that you identified two particular points in your transcripts—that would reassure me about the additional administrative burden. I should say that the burden is there anyway. Although the new legislation helps to clarify when a threat can be made and against whom, it does not remove the problem in relation to online takedowns.
Perhaps it would be helpful if I explained roughly what the process is in relation to an online takedown for, in our context, a significant entertainment brand. I am speaking quite generally and not specifically about the BBC’s experience. I would think that this would be fairly common. In fact, we are probably a fairly small player in relation to the Marvels and the Disneys of this world. It would not be unusual for an entertainment brand owner to do a search on eBay for its own brand. I do not mean to call out eBay specifically; there are numerous online auction sites of this nature, with eBay obviously being the biggest. You will find 20,000, 40,000 or 50,000 hits, the bulk of which you know will be infringing, because you know that your authorised licensees are not permitted to sell on that platform. That does not preclude the possibility that there might be a secondary market of second-hand products, which would be completely legitimate to sell on those platforms, but you can anticipate that there will be a significant number, running into the tens of thousands, of infringing items.

EBay and others automate a takedown procedure, for which we are very grateful, as it means that you can deal with a significant number of online infringements reasonably quickly. We do not generally get to a point where we are writing a well-crafted cease and desist letter; we are just filling out a form and clicking a button. My concern about having to go through steps that identify whether the person selling is the primary or secondary infringer is that it would mean that perhaps two or three layers of administration would be added to a takedown procedure that is already very burdensome in any event, simply because of the volume.

The other point that I wanted to make is that quite often we will do takedowns in relation to items that may have a value – I am looking at some that I printed off. They are bespoke Doctor Who birthday cards that retail at £3, but they are not from our authorised licensees. You can find thousands of them on eBay and other such sites. That is the sort of level that I am talking about. The value of each individual item does not merit a long inquiry into who the retailer or manufacturer is.

**Viscount Hanworth:** Are the infringing items preponderantly pirate copies of programmes, or are they the sorts of thing that you just mentioned?

**Diane Hamer:** Because copyright is not within the scope of this consultation, I have not turned my mind to the levels of piracy and online infringement in relation to audiovisual material. For us as an entertainment business, audiovisual content is where the bulk of our value lies. The scope of infringement there is astronomical compared to what I think of as brand infringement and counterfeit product—soft toys, birthday cards and that sort of thing. To go to the last question that was asked, the IPO has been remarkably proactive in assisting in relation to piracy. Thank you very much; we are very grateful for that. I am thinking about brand infringement, where the brand is being applied to a counterfeit good, rather than a copy of our copyright material.

**Baroness Neville-Rolfe:** Could I ask a follow-up question to eBay?
Could you describe how the online notification system works? How do rights-holders contact you? Is it by email or is there a bespoke system? What is the effect of sending out the forms? Clearly there is a system that is meant to work, and it would be helpful to have your view of things to put alongside the others that we have heard.

**Jessica Stretch:** Absolutely. I will start by saying thank you for the opportunity to contribute today. On your question, there are two routes. There is the standard notice of claimed infringement route that I will talk about first. It is a simple form where the rights-owner identifies themselves. They identify the infringing listings by reference to a code on the website—a product number, if you like—and then select the IP infringed. We give a selection of codes, such as it is a counterfeit product or it infringes copyright—that kind of thing. So they identify the IP right, and there is a declaration at the bottom that the item has not been sold with the authorisation of the intellectual property owner. It is also signed and dated.

I disagree that it is an automated process. It gets emailed and faxed to eBay and goes to a dedicated team, which does not arbitrate or examine the strength of the claim but does validate that the IP right exists. If it does, and if it is happy with that, the items will be removed. Typically, in 95% of cases that will be within 24 hours, and in 80% of those cases it will be within 12 hours, so it is quite a quick process.

I will briefly mention the second route, which is web based; it is all done on the interface of the eBay site. You can go directly from the listing and tick a box to say that it is infringing. With this web-based tool, which we use typically for higher-volume reporters because it is a bit quicker, they have an opportunity to send a short message to the seller. So when we are talking about efforts to locate primary infringers or primary infringements, it might be an opportunity to make that statement to the recipient of the notice. Again, typically on that track as well, you have your paper form and you are web-based, and the turnaround is typically less than 24 hours.

**Baroness Neville-Rolfe:** If there is disagreement, what options are available to the seller or the third party? Sorry, I am just trying to understand how the system works.

**Jessica Stretch:** The recipient of the notice will receive a message saying, “Your item has been removed for this reason, given to us by the rights-owner”. That message will include an email address for the rights-owner. If you do not understand why your listing has been removed, we encourage you to contact the rights-owner to discuss the matter. In the vast majority of cases, about 97%, listings get removed and we do not hear from the sellers—the recipients of the notice—again. We sometimes get pushback. They might cite a registration that they believe entitles them to sell. It may be that, behind the scenes, there is some breach of a distribution agreement, that sort of thing. So in a small minority of cases there will be pushback, but in most instances—we are not a tribunal, we are an online platform—we encourage the parties to communicate. As
well as providing the brand-owner’s or rights-owner’s contact details, upon request we will provide the contact details of the recipient, so that there can be a continuous channel of communication alongside the notice of claimed infringement.

**Viscount Hanworth:** Have there been claims of unjustifiable threats that have gone to law?

**Jessica Stretch:** Yes. At eBay we do not have direct oversight of that, but there have been three cases that I am aware of that have gone through the courts in which the question of whether the notice was an unjustified threat was raised. However, these have all been at an interim stage, so the question has never been resolved by the courts. The most famous one is a case called Cassie Creations. In that case, at summary judgment level one of the parties sought a strikeout on the issue of whether this was an unjustified threat. In that case, that judge did not have to make the call. There have been comments along the lines of, “It is persuasive and in the right context the notice could constitute a threat”—but we have not had any definitive ruling on that point. At eBay, our view is that the notice alone is not a threat. As the recipient we do not perceive it as a threat. I can provide a list of cases and their follow-up. Generally the key is the context and what happens after the notice—what emails are going between the parties—rather than focusing on the notice alone.

**Viscount Hanworth:** So you do not feel particularly inhibited by the law as it exists at the moment?

**Jessica Stretch:** No, and we have 40,000 members regularly filing high-volume reports, including the BBC. Therefore, my perception is that these people are not unduly restrained by considering this to be a threat.

**Diane Hamer:** I would just add that the decision in Cassie Creations left the law in some suspense. The ruling was that in principle such a notice was capable of constituting a threat, and of course the action did not go any further—so that notion has been left hanging in the air, which of course has sent a bit of a chill through the people who are using the online form.

**Baroness Neville-Rolfe:** Does the Bill help in any way, either for online operators such as you or for a small business, to clarify, or is it neutral?

**Jessica Stretch:** I believe that the Bill does not clarify the question of whether the notice constitutes a threat. That has been left dangling, and we may see future court cases in which we will get a little more guidance on that. But overall the Bill aids rights-owners. Although we have already heard this afternoon about the obligations to locate primary infringers being unduly onerous in the context of online infringement—I can see the logic of that—that is an extra defence. So rights owners have more armoury. Many do test purchases and carry out investigations to locate primary infringers. So for them to be able to rely on that defence would benefit them under the new legislation.
**Lord Lucas:** Is the problem in 21C(3)(a)—the paragraph you are aiming at—the word “all”. If that was not there, you could quite reasonably say that in the case of whack-a-mole, it is reasonable to take no steps. Can you see any justification for the word “all” being there?

**Alexis Hawkes:** Yes. I can see that “all” is intended to set a high standard of effort. This clause is intended to ensure that rights-holders are not simply saying, “Well, I did a very casual inquiry and it didn’t yield anything, so I’ve taken the necessary reasonable steps”. So I see the purpose of “all” and I can understand why, in other contexts, it would be very important. But looking specifically at the online context and taking eBay as an example, what would “all reasonable steps” be? Would it be emailing the person who has listed it beforehand and asking them to identify it? Would that alone be sufficient to constitute “all reasonable steps”? It is difficult to see what you could do to go beyond that to get further information as to who was the manufacturer of the birthday cards or T-shirts. So it is quite a high test in the online context, but I do understand why it is there in relation to some of the other contexts that the clause is dealing with.

**Lord Lucas:** In the context of an eBay shop, is there any importer if the goods are shipped direct from a Chinese manufacturer?

**Jessica Stretch:** It would completely depend. Yes, sometimes you can be purchasing directly from an importer, and there is likely to be an importer somewhere in the chain.

**Lord Lucas:** But the importer may be in China, and therefore rather out of reach of the Bill.

**Jessica Stretch:** Correct.

**Lord Lucas:** So there may be nobody in China except the secondary actor who is within reach of the Bill.

**Jessica Stretch:** That may be the case, but in other cases goods may be imported directly into the UK and then go through a reselling network. There would be every variation there, but you are right that some of them would not be caught.

**The Chairman:** I think we can probably move on to the second question, which Lord Lucas will put to you.

Q36 **Lord Lucas:** Again, it is worth reading something out. The BBC’s written evidence also noted that standard notices used by electronic marketplaces to enable rights-holders to claim that their rights are being infringed do not allow rights-holders to notify the recipient of those steps taken. Regarding this possible problem, have the BBC witnesses been reassured by any evidence to the Committee? If not, are there any changes to the Bill that they would suggest, and what consideration has eBay given to this possible problem? We have wandered over a bit of this territory, but is there anything else you would like to say?
**Diane Hamer:** In the oral evidence there was a discussion with, I think, Colin Birss, who talked about eBay and others—I am sorry that eBay keeps coming up: eBay is a very good actor in the sense that it provides a mechanism. An emphasis is therefore pushed on to eBay to modify its form. I am interested to think through whether eBay would then feel obliged to scrutinise the reasonable steps that had been taken. I imagine that the form might have to be modified to allow a free-form box where a rights-owner could write down the steps they had taken. I would be curious about whether eBay would feel obliged to scrutinise those steps and make its own assessment of whether they had been reasonable. I can imagine that doing so would impose a huge administrative burden on you where you are not necessarily best placed to make that judgment call. But perhaps you do not agree that it would place that burden.

**Jessica Stretch:** The key point to iterate here is that we are an online platform. We will scrutinise that the IP right exists, but we are not the court. We are not going to start weighing up whether we, eBay, consider this reasonable. We do not deem that to be our place. If a rights owner makes a declaration to us that in this instance the item infringes and that in their view they have carried out reasonable steps, I imagine that we would remove those listings. It is exactly the same at the moment. We can look at very tricky areas of copyright infringement where it is not clear to us whether they are infringing, but we will go by the rights owner. Then it is free to the recipient of the notice, the alleged infringer, to have a conversation with the rights owner.

On the threats issue, I think the process would follow the same route. There could be a tick box saying, “I have made every effort to locate the primary infringer”—or even “some effort”—and we could take that as a signed declaration, honour it and remove the listing, and encourage the parties to communicate. However, you are right to pick up on the fact that we pride ourselves on having an efficient, rapid takedown process and, just as you do not want the extra administrative burden of taking these steps, we would not want to have to carry out a separate investigation. We would take the word of the rights owner.

**Diane Hamer:** On the question about any proposed amendments, I am thinking rather on the hoof here, but we might delete the word “or” in relation to the online environment. I am very conscious that the Bill is already quite complex, and one does not want to have exceptions to exceptions and so forth, but I can see us deleting the word “or” in the online context and/or perhaps having some other wording, for which I would borrow from the fair dealing defences in the copyright Act, which says that you can fair-deal work for the purpose of news reporting as long as you credit the owner of the work.

**Alexis Hawkes:** I think the actual wording is “to the extent that it is practicable”, so some additional wording about practicality or circumstances might give you more wriggle room when discussing it before a judge. That would allow the judge leeway to say, “Well, in these circumstances I can see that this was the practical step that you could
take, and it was not hiring a detective to track down the manufacturer in China. You have made the inquiries that are practical in the circumstances.” Perhaps something like that might assist in these circumstances.

**Diane Hamer:** Equally, we were looking at some amendments. There was a proposal to insert what I think is Law Commission wording: “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”. Then there is a proviso: “provided that this shall not apply if”. If the wording stopped at “packaging”, I think that would deal with the problem.

**Lord Lucas:** Does eBay provide any facility—for the BBC, in this case—to communicate with a seller? Can you find an email address?

**Jessica Stretch:** Absolutely. If you are a member of the eBay platform, you would be able to message another seller, albeit that you do not know who is sitting behind that shop name. However, once you file the notice of claimed infringement, at that point eBay will provide an email address and indeed will provide your contact details as well.

**Lord Lucas:** Yes, but we are talking about it being “simple” before that stage. If, on your platform, the BBC can message any other seller, is that then recorded on your platform, or is there some piece of evidence that that message has been sent?

**Jessica Stretch:** Yes, there would be a record of that message, but more frequently what actually happens is that the notice is filed; as we have heard today, speed is of the essence. In most cases, the notice goes straightaway and then there is likely to be a follow-up message from the rights owner.

**Diane Hamer:** I would just like to add that in this context eBay is incredibly good at providing all these processes. There are an awful lot of marketplaces that do not achieve the same high standard of efficiency, clarity or transparency. You would not be able to message the party selling; you would just have to communicate with an anonymous email address, and that might be the end of it. Different marketplaces offer different options, and eBay is the high point.

**The Chairman:** As the Minister has to leave us shortly, perhaps we could move on to her question?

**Baroness Neville-Rolfe:** Thank you, Lord Chairman. I am afraid I have to go because there is a Nissan Statement. We have already touched on this, but the question is: is this Bill generally fit for purpose regarding the world of online trading, particularly high-volume, low-value online trading? Will the changes that it makes be helpful to your business?

**Diane Hamer:** I do not think that the position in principle is made any worse by this Bill, but I am not sure that it takes us much further forward. Companies arrange their affairs in all sorts of ways, but my
anecdotal impression is that quite often companies will get their administrator, their secretaries or their paralegals to do the online takedowns. I can see that the complexity of the new legislation for someone who is not necessarily legally qualified or who is very junior would be very challenging, particularly at first. People will get used to it, but Section 21 in the Trade Marks Act at least had the beauty of shortness. There is quite a lot to get your head around in the new legislation. That may not be very helpful; I appreciate the efforts to grapple with the problem, so I do not mean to be too negative. However, that is a concern that I hear.

Viscount Hanworth: Would you agree with me that some of that complexity is simply in the drafting?

Diane Hamer: Yes.

Viscount Hanworth: The lawyers to whom I put this resisted that point.

Diane Hamer: I see that Sir Robin Jacob did not.

Baroness Neville-Rolfe: But do you agree about aligning the rules, which is obviously what the Bill seeks to do, so that people are working with the same basic system as for patents, trademarks and designs?

Diane Hamer: I would speak only about trademarks. I would draw quite a strong distinction between trademarks and patents. I can see that the law of groundless threats in relation to patents is very important for a very particular reason, which is that when you are making a claim of patent infringement one of the key questions that are going to be in dispute is the validity of the patent. Validity in the patent context is extraordinarily expensive and often requires experts to establish it. I do not think the same is true of trademarks, which to a large extent are a matter of common sense, although there is a lot of art in how you determine whether a trademark is badly registered or not.

I want to recount one experience I have had. I have been in practice at the BBC for 12 years and before that in private practice for six years in the UK. I have only ever had cause to write a letter that stated “You have made a groundless threat” on one occasion in relation to trademarks. In fact I could easily have said, “We think you are asserting your trademark and we do not think your trademark is valid. If you pursue your claim, we will apply to invalidate your mark”. It seems to me that threatening invalidity proceedings would have perfectly adequately dealt with the problem of being bullied by a trademark owner. I wonder if in relation to trademarks a solution is being proposed to a problem that does not necessarily exist in the way that I absolutely think it exists for patents.

Baroness Neville-Rolfe: What about eBay?

Jessica Stretch: Broadly we would say that, yes, the Bill is fit for purpose in an online trading environment, but then I must add that my experience is with eBay, where we conscientiously process notices and encourage rights holders and parties to communicate, and we provide
contact details. I am aware that not all platforms do this, so I cannot speak for online platforms in general. Still, this will not significantly impact on eBay’s business. It may have a slightly higher requirement for other online platforms in how they develop their reporting systems.

**Baroness Neville-Rolfe:** Do you think it might encourage some of those that do not have the kind of reporting system that you describe to ensure that they are fit for purpose?

**Jessica Stretch:** I absolutely think it would. EBay has been doing this since 1998, and a lot of platforms simply have less experience in this area.

**Viscount Hanworth:** My next question has been somewhat pre-empted, but I will preface it by asking whether everybody has read the evidence from the Chartered Institute of Patent Attorneys—Diane Hamer clearly has. Do either the BBC or eBay witnesses have any view on the suggestion made by the Chartered Institute of Patent Attorneys for an amendment concerning the application of a trademark in online trading? I believe that this refers to the institute’s proposed amendment to Clause 21A(2). I invite you all to comment on that. In addition, could you say whether there are any modifications or amendments that you would like to see?

**Alexis Hawkes:** I think this is the section that we touched on before.

**Viscount Hanworth:** Exactly.

**Alexis Hawkes:** As we understand it, this amendment is about when the goods are listed. If the trademark is referred to in the listing it would effectively be applying the mark to the goods in the listing. It would therefore get around the question, “Did they manufacture the T-shirt?”, because they applied the Doctor Who trademark in the listing on eBay—which we would find very helpful. As we mentioned previously, the clause is a very helpful start which then goes off to carve out a number of caveats by saying that the provision 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. It seems to start off being very helpful but then undermines itself with the carve-out. It would be very helpful if it stopped after the word “packaging” and simply made clear that if you have applied the mark to the listing and advertised it as Doctor Who, the BBC or whatever the trademark owner’s brand is, that in itself should be enough to put them into the primary category.

**Viscount Hanworth:** Could we encourage you to submit an amendment that is superior to this one?

**Alexis Hawkes:** Would you like me to put it in writing before Thursday?

**Viscount Hanworth:** What you have just suggested is clearer than this
amendment, which is very challenging to read.

**Diane Hamer:** It is, and it seems to simply push the problem down the road.

**Viscount Hanworth:** Is that a consensus among all three of you?

**Jessica Stretch:** I am happy with the CIPA amendment as drafted. I think that it addresses the concerns raised. I know there was discussion in earlier sessions about an Explanatory Note and what was meant by “apply”. I have seen no draft wording for that yet, but in our view that could be a satisfactory alternative to this provision.

**Viscount Hanworth:** Unless you submit an amendment that is somewhat superior to this one, this amendment will be struck out on the advice of the government lawyers. May I enjoin you to try to do better than this? Is that a reasonable thing to ask?

**The Chairman:** Indeed it is, but once again I am going to have to say that it has to be done by Thursday.

**Viscount Hanworth:** From what I have heard, you already have a firm idea of how it should be phrased.

**Baroness Bowles of Berkhamsted:** If I could jump in on that point, there are two slightly different issues. CIPA was trying to say, “Well, if the goods are counterfeit, essentially, and somebody else has already marked them up and so forth, they should take the rap rather than the person who is selling them, who might themselves have been duped”. What you are saying is a bit different; for the high-volume, online scenario, in essence you want to extend the definition of who is a primary infringer.

**Alexis Hawkes:** Yes, that is probably what we are saying. We would see that as a practical resolution to all the problems that we have been discussing.

**Baroness Bowles of Berkhamsted:** Either that or you want to say somehow—I do not know whether this is the right place for this; we would have to have a look—that in a high-volume, online environment there is an additional permitted purpose, which is the takedown notice.

**Diane Hamer:** That could work. One would want to think it through to ensure that one did not fall into the law of unintended consequences somewhere else.

**Baroness Bowles of Berkhamsted:** Indeed.

**Diane Hamer:** But the point you have made is the correct one.

**Baroness Bowles of Berkhamsted:** I have been thinking about it while I have been sitting here. I think it might be possible to make it another permitted purpose, even though it is a sort of extra category. Perhaps that is where it sits. That would be something that the court in its wisdom
could interpret in that way already. You could have a court case and they
could say, “Well, actually, rather than these takedown notices being
threats, they are actually of a permitted variety”. The courts could
develop the law in that way. As policymakers one could do the same.

**Alexis Hawkes:** We would have a bit more certainty.

**Baroness Bowles of Berkhamsted:** You might need some caveats
around it, as we have not taken evidence on the question in the wider
sense. It is just a thought.

**The Chairman:** That leads to the next question about in-house lawyers.

**Baroness Wilcox:** Just to encourage you, this is our last question. The
BBC’s written evidence expressed concern about how the exemption for
professional advisers from unjustified threats claims will apply to in-
house legal advisers. Have the BBC witnesses been reassured on this
point by any of the evidence that the Committee has received? If not, is
there any change to the Bill that you would suggest?

**Alexis Hawkes:** I have been reassured by the comments made by David
Hertzell from the Law Commission, who talked about making a comment
on the Explanatory Notes. He said that there had been something in the
Explanatory Notes but it had come out. His reference to the general
mandate that you have as an in-house lawyer was very helpful in
understanding how things work in practice. An Explanatory Note that
provided some clarity about that would be helpful.

As you can imagine, in the examples that Diane has given we would not
go back day-to-day to in-house clients to ask for instructions to remove
T-shirts, birthday cards or those kinds of electronic takedowns, but
obviously we take instructions from clients on substantial matters as in-
house lawyers. One of our mandated roles is brand protection—in fact, it
is in Diane’s title—and that is one of our functions as in-house lawyers.
But we are also very much acting on behalf of the BBC as legal advisers
in that context.

**Baroness Wilcox:** Are you happy with that? Do we need to reinvent the
wheel?

**Alexis Hawkes:** Obviously it depends what the Explanatory Note says,
but the conversation about how to deal with the issue is very sensible.

**The Chairman:** Did you want to add anything?

**Jessica Stretch:** I am in complete agreement with David Hertzell’s
comments. They were very helpful.

**The Chairman:** The last thing—I am sorry to mention it once again but it
is pressing on me—is that if you would like to comment on any of the
proposed changes to the Bill, and if you do not have a list, the clerk can
supply you with one, we would welcome any such information from you,
whether you support them or whether you think they should not go
further forward. I am sorry to say this, but again that has to be done by Thursday, because that is the end of the time for us to receive evidence and indeed to make up our minds about what changes, if any, we will propose by way of amendments to the Bill. Our last day for doing that is Monday. With that, I thank all three of you very much on behalf of the Committee for providing most useful and interesting evidence today.
Introduction

1. These submissions are made on behalf of the British Broadcasting Corporation ("BBC") in response to the Call for Evidence by the Special Public Bill Committee on the Intellectual Property (Unjustified Threats) Bill ("Bill") dated 15 September 2016.

2. As stated in the BBC's response to the Patents, Trade Marks and Design Rights: Groundless Threats (2013) Law Commission Consultation Paper No 212, we believe that protection against groundless threats in relation to trade marks, registered and unregistered design rights should not be retained. Notwithstanding, the provisions contained within the Bill represent an improvement on the current legislation relating to unjustified threats, save in the two specific areas outlined below:

   a. the Bill does not address the application of the threats provisions to high-volume online trade mark infringement and specifically in relation to websites that use automated, semi-automated and standardised infringement notification procedures such as eBay; and

   b. it is unclear how the exemption for “professional advisers” contained at section 21D of the proposed amendments to the Trade Marks Act 1994 in the Bill will be applied to in-house legal professionals.

Application of the Bill to high-volume online trade mark infringement / eBay procedure example

3. The provisions in the Bill relating to trade marks and registered designs are not well suited to high-volume, lower value online trade mark infringement cases which are likely to form the bulk of many rights holders’ enforcement efforts.

4. When pursuing trade mark infringement actions online it is not generally evident whether the alleged infringer is (a) applying, or causing another person to apply, a sign to goods or their packaging; (b) importing, for disposal, goods to which, or to the packaging of which, a sign has been applied; or (c) supplying services under a sign (i.e. a “Primary Infringement”) and/or simply offering the goods for sale. It can be extremely difficult and time-consuming to confirm the position, especially where infringing goods are being offered for sale on a third party platform, such as eBay.

5. The Bill provides, at Section 21A(4), that a threat of infringement proceedings is not actionable if the threat is made to a person who has or intends to carry out an act of Primary Infringement if it is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to those goods or their packaging (a “Secondary Infringement”). However, if the threat is made to a person who has only carried out a Secondary Infringement, the threat will be actionable and the rights holder will only have a defence, under Section 21C(3) of the Bill, if they can demonstrate that, having taken all reasonable steps to identify anyone who has carried out a Primary Infringement, they failed to do so.
and they notify the recipient of the threat of the steps they have taken. We believe that this is an unduly onerous requirement

in respect of online infringements, where it will often be impossible to determine whether the recipient of the threat has carried out a Primary Infringement or only a Secondary Infringement.

6. Furthermore, the standard form used in eBay’s Verified Rights Owner VeRO Programme, which enables intellectual property rights holders to claim that goods sold on the site infringe their rights (Notice of Claimed Infringement (“NOCI”))\(^1\) does not make any provision for a rights holder to notify the recipient of a NOCI of the steps it took to discover the identity of anyone who has carried out a Primary Infringement. We believe that the providers of other online trading platforms will have substantially identical NOCIs in place and that none of these NOCIs will provide the rights holder with any control over the form and content of the communication sent by the third party platform to the seller of the goods in question.

7. The legality of eBay’s NOCIs has already been called into question, most recently in the case of Cassie Creations Limited v Blackmore\(^2\), where the High Court refused to strike out an unjustified threats claim under section 26 of the Registered Designs Act 1949 as amended and section 253 of the Copyright, Designs and Patents Act 1988, which resulted from the issuance of an NOCI. Whilst the action did not proceed to full trial, the ruling confirms that it is at least arguable that the filing of such notices may be treated by the courts as actionable threats. This uncertainty would seem likely to continue, at least in relation to purely Secondary Infringements, after the Bill comes into effect. Where it is unclear what “steps” will be considered “reasonable” under Section 21C(3)(a) of the Bill in cases of online infringement, it will be difficult for rights holders to assess the likelihood of their being able to defend unjustified threats actions when pursuing online infringers through e.g. eBay’s VeRO Programme. This uncertainty is likely to act as a deterrent against rights holders taking action to defend their trade mark rights.

8. To be clear, we consider the VeRO procedure and equivalent automated takedown mechanisms on other electronic marketplaces to be a reasonably effective means of tackling high volume internet-based infringements at scale and we note they are widely deployed on a global scale by intermediaries as a means of managing liability for infringing products placed for sale on their online platforms. We would be very concerned if these were considered to be in conflict with the threats provisions under UK law, thereby rendering UK based rights owners with no effective means of managing online infringement.

\(^1\) A copy of a NOCI can be found at [http://p.ebaystatic.com/aw/uk/pdf/UKNOCI1.pdf](http://p.ebaystatic.com/aw/uk/pdf/UKNOCI1.pdf)

\(^2\) Case [2014] EWHC 2941 (Ch) [http://www.bailii.org/ew/cases/EWHC/Ch/2014/2941.html](http://www.bailii.org/ew/cases/EWHC/Ch/2014/2941.html)
In-house legal advisers and “professional advisers” exemption

9. We support the introduction of an exemption for “professional advisers” from unjustified threats claims. However, there is some uncertainty around the exemption as set out in the Bill when applied to in-house legal advisers who pursue infringement actions on behalf of their internal clients.

10. It is not clear whether an in-house legal adviser acting on the instructions of an internal client will satisfy the conditions contained at Section 21D(3) of the Bill. Specifically, will an internal client fall within the definition of “another person” as provided for in Section 21D(3)(a)? In addition, in many cases, the in-house legal adviser will not be acting on the instructions of a specific internal client, but on their own account and within the discretion they have been granted to act in the best interests of their employer in enforcing their intellectual property rights. Clarity on whether and to what extent this discretion would satisfy the conditions of Section 21D(3) would be welcome.

11. If in-house legal advisers will be regarded as acting as their own clients in such cases, they will need to secure specific instructions from internal clients for every actionable threat they make in order to avoid liability. This is likely to increase the administrative burden of their taking action which could hamper the effective enforcement of these organisations’ intellectual property rights.

12. We submit that it would be useful to make clear that in-house legal advisers will be deemed to satisfy the conditions of Section 21D(3) where they issue actionable threats either on the basis of a specific instruction from an internal client or at their discretion and that in either case, it is sufficient for the name of the employer to be given as the name of the person on whose instructions the in-house lawyer is acting.

Author: Rosalind Miller

On behalf of the British Broadcasting Corporation

Date of Submission: 3 October 2016
Supplementary written evidence from the British Broadcasting Corporation (Diane Hamer and Alexis Hawkes) 3 November 2016

Thank you to you and the Committee for the opportunity to appear before it on Monday. We are now writing to follow up on some of the points raised during the session.

**Permitted Communications**

There was some discussion during the session about treating take-down notices differently from other communications for the purposes of ‘permitted communications’. We are interested in pursuing that thought. We think it makes sense to use terms already in use in legislation in relation to eBay type services - in particular under the E-Commerce Directive and consequential UK implementing legislation. The benefit of this is also that it makes the provision technology-agnostic - i.e relevant if these kinds of services change in the future. We would therefore like to table an amendment along the following lines, to include the following as an additional ‘permitted purpose’ (at (d) of the relevant provisions:

“a notice sent to or by an information society service for the purpose of giving notice of an infringement of a [registered trade mark] pursuant to [Articles 12 to 15 of the E-Commerce Directive*].”

Footnote reference:


We have included the wording ‘to or by’ to address the fact that the eBay takedown procedure involves a two step communication, (1) a notice (NOCI) from the IP owner to eBay and (2) a notice (Rights Violation Notice) from eBay to the alleged infringer. Our reading of the Cassie Creations case (https://cases.legal/en/act-uk2-69600.html) suggests that each separate communications could constitute a ‘communication containing a threat of infringement proceedings’.

In order to make this proposed amendment Brexit-proof, the relevant UK implementing regulations for the E-Commerce Directive should be included. The attached document therefore includes reference to the appropriate implementing regulations.

We have considered the CIPA proposal further, regarding electronic communications, but on balance prefer the proposal set out here.

**‘All reasonable steps’**

Secondly, we are following up the issue raised by Lord Lucas, as to whether the word “all” (in relation to “all reasonable steps”) could be removed from the proposed Bill (at s21C(3)(a) in relation to trade marks). Having considered this further, we consider the obligation to take “all reasonable steps” is a very high threshold. Our authority for this view is Lewison LJ, in his book The Interpretation of Contracts, in which he states: “An obligation to use reasonable endeavours to achieve the aim probably only requires a party to take one reasonable course, not all of them; whereas an obligation to use best endeavours probably requires a party to take all the reasonable
courses he can. In that context, it may well be that an obligation to use all reasonable endeavours (or to do all things reasonably necessary) equates with using best endeavours.” (our emphasis).

We therefore recommend that the word “all” before “reasonable steps” be deleted from each place at which it appears.

We would be happy to discuss our thinking further at your request.

We attach a document setting out in full the amendments proposed here.
Proposed amendments to the Intellectual Property (Unjustified Threats) Bill [HL]
Made on behalf of the BBC and BBC Worldwide Limited

“Permitted communications”

We propose the following amendments be made to the list of “permitted purposes” as follows:

At:

1. Patents

S70B(2), insert - "(d) giving notice to or by an information society service provider of the infringement of a patent for the purpose of giving notice pursuant to Regulations 18 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013)".

2. Trade Marks

S21B(2), insert - "(d) giving notice to or by an information society service provider of the infringement of a trade mark for the purpose of giving notice pursuant to Regulations 18 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013)".

4. Registered Designs

S26B(2), insert - "(d) giving notice to or by an information society service provider of the infringement of a registered design for the purpose of giving notice pursuant to Regulations 18 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013)".

5. Design Right

S253B(2), insert - "(d) giving notice to or by an information society service provider of the infringement of a design right for the purpose of giving notice pursuant to Regulations 18 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013)".

6. Community Design

S2B(2), insert - "(d) giving notice to or by an information society service provider of the infringement of a Community design for the purpose of giving notice pursuant to Regulations 18 and 19 of the Electronic Commerce (EC Directive) Regulations 2002 (S.I. 2002/2013)".

Remedies and Defences : “All reasonable steps”

We propose that the word “all” be removed from the wording “all reasonable steps” wherever the same appears, namely at:

1. Patents

S70C(4)(a)

2. Trade marks

S21C(3)(a)

4. Registered Designs

S26C(3)(a)

5. Design Right

S253C(3)(a)

6. Community Design

S2C(3)(a)
Letter to the Committee from the IP Federation

3 November 2016

Dear Lord Chairman

**Intellectual Property (Unjustified Threats) Bill: IP Federation’s views on proposed amendments**

We write further to the oral evidence given to the Committee by Mark Ridgway on behalf of the IP Federation on Monday 31 October 2016. In particular, as requested, we write to confirm the IP Federation’s position in relation to the various amendments that have been proposed in evidence.

The IP Federation only wishes to comment on four specific amendments that we believe should be made.

The first three of these amendments relate to the “permitted communication” provisions in the Bill, which we understand are intended to clarify the communications that will be exempt from the possibility of a threats action. Consistent with our original Law Commission consultation response, we are supportive of the concept of “permitted communications”, since, as we noted at the time (for example, in response to consultation question 17), we are in favour of clarity as to exactly what can be said to potential infringers without the unlawful threats provisions being triggered. However, having considered the draft Bill and the evidence submitted to the Committee, we are of the view that the provisions should be clarified if they are to serve their intended purpose. These three amendments are detailed in turn below.

The fourth amendment relates to the available defences to a threats action. As explained below, consistent with our original consultation response (see our response to question 27), we believe the defence that is currently in section 70(2A)(b) of the Patents Act 1977 should be retained. We see this as a sensible protection for rights holders, without which their willingness and ability to enforce their rights will be undermined.

Please note that statute section references below relate to the proposed new sections of the Patents Act 1977, as would be substituted by the Bill.
**The proposed amendments**

**The Law Society point**

The Law Society Intellectual Property Working Group has proposed an amendment that involves removing the word ‘solely’ that appears in, for example, the proposed new section 70B(1)(a) of the Patents Act. The Law Society’s argument is that, by removing this word, it avoids any possible argument that the Court must enquire as to the subjective intent of the party that issued the threat. Such an enquiry would be difficult and undesirable, and it is the intention of the legislation (consistent with current case law) that communications should only be examined objectively in order to assess whether they constituted a threat.

This amendment has so far been resisted by the IP Minister. However, we agree with the Law Society that section 70B(1)(a) could be improved. This is because, as drafted, it gives rise to a convoluted test. Firstly, it begs the question of what “information that relates to the threat” entails. It then also calls for an examination of whether that information (whatever it is) was included in the letter solely for the permitted purpose (as opposed to some other extraneous reason or ulterior motive).

Whether this enquiry is a subjective one or not, we believe the test is an overly complicated one and it is very hard to know how it will apply in practice. We expect that there will commonly be occasions when the information in a letter serves a dual purposes (e.g. information that is included both because it is relevant to a threat and also for some other reason). We think it is also important to remember that the proposed legislation is only dealing with implicit threats (as judged by an objective reader), so it will not always be the case that the rights holder set out with the intention of making a threat. There is therefore no reason to think it will be easy to delineate between different bits of information in the letter, in terms of deciding why they were included. Such an analysis should be avoided.

The Law Society’s proposed amendment (which, as mentioned, is to remove the word “solely” from section 70B(1)(a)) improves things by at least removing the need for an examination of the rights holder’s possible ulterior motives. On the other hand, we believe a far cleaner way of approaching the drafting would be to amend section 70B(1)(a) to simply ask whether:

“(a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose”.

We therefore support the Law Society’s amendment, but also put forward this additional change, which we believe will improve clarity and workability.

**Sir Robin Jacob’s point**

A point that arose during Sir Robin Jacob’s oral evidence to the Committee on 17 October 2016 related to the use of the word “necessary” in the proposed section 70B(3). We understand that section 70B(3) is intended to give the Court a discretion to deem a “purpose” to be a permitted one, if it is in the interests of justice to do so. In that context, however, the point was made during Sir Robin Jacob’s testimony that “necessary” is too high a standard to impose, since it is quite hard to say that something is truly necessary, as opposed to merely desirable.
Whether or not a formal amendment has been tabled to address this issue, we believe it would make sense to amend the draft as follows:

“(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it desirable necessary in the interests of justice to do so.”

We believe that it is sensible for the Court to be given this wider discretion, since it will allow the law to be more flexible and adapt to the particular circumstances of a case. It will also allow the law to develop over time, to cater for any more detailed scenarios that arise (and which it is hard to legislate for in advance). We would also be happy with any substantially similar amendment to the one proposed above.

Point raised during the IP Federation’s oral evidence

The third amendment that we support is one that was raised by the Committee during the IP Federation’s oral evidence session on 31 October 2016. The point related to the use of the word “may” (in the phrase “may be regarded as necessary”) in section 70B(5).

We understand section 70B(5) as meaning that the information listed in 70B(5)(a)-(c) might be considered necessary for a permitted purpose. However, as we understand the provision, whether or not the information is necessary will depend on the facts. We believe this is a very unhelpful position, since the rights holder drafting a letter still will not know where they stand. For instance, if writing to give notice that a patent exists (which is a permitted purpose according to proposed section 70B(2)(a)), one would be left wondering what information is truly necessary beyond the patent number? In other words, the rights holder is left with the exact dilemma that existed under the old law.

We believe the intention of section 70B(5) is to clarify things and allow the provision of certain basic information to avoid the threats provisions (that is certainly what was called for in the consultation responses). We believe the following amendment would greatly help:

“(5) Examples of information that shall may be regarded as necessary for a permitted purpose include—“

We therefore propose this amendment. We also believe that each of the above amendments would benefit both SMEs and large businesses alike, whether in the position of the rights holder or the position of the potential infringer. Above all, businesses will benefit from having clarity in these provisions.

The defence contained in s70(2A)(b) of the Patents Act 1977

We note that, in our original consultation response, the IP Federation’s position was that the defence in the current section 70(2A)(b) of the Patents Act should be retained. That defence was introduced as one of the changes made to the patents threats provisions in 2004. It applies whenever the threatener shows that, at the time of making the threat, it did not know and had no reason to suspect that the patent was invalid in the relevant respect.
The Law Commission felt that this defence was unsatisfactory, because it gives a complete defence to the threatener (i.e. the threatened party gets no remedies at all), whereas the Law Commission felt that the risk of an IP right being invalid should fall on the threatener and not the party that has suffered loss from the threat.

We disagree with the Law Commission’s position and believe that the defence should be retained. In short, we believe that, where a rights holder believes in good faith that its right is valid and infringed, it should be free to communicate with any alleged infringer (primary or secondary) on that matter, without any need for the complexity and distraction of a threats action.

We take this position because, if the IP right in question would have been infringed but for its unforeseen invalidity (e.g. a basis of invalidity that the rights holder was unaware of, which is the scenario that section 70(2A)(b) caters for), we do not believe a threats action is appropriate. Without this potential defence, we also fear that rights holder’s willingness to enforce their IP rights will be undermined. We note that this would be particularly disadvantageous for smaller businesses seeking to enforce their rights.

Please do not hesitate to contact us if we can be of any further assistance.

Yours sincerely

James Hayles
President, IP Federation
Observations on unjustified threats on intellectual property rights

Thank you for inviting the Creators’ Rights Alliance to submit evidence on this Bill. The CRA brings together organisations representing 100,000 authors and performers. The great majority of these are freelance – sole traders, who depend on Intellectual Property law to defend the value and the integrity of their work. Most are concerned primarily with copyright and neighbouring rights. The CRA has collaborated with ACID on matters of mutual concern.

Legislation to date does not take sufficient account of the imbalance of power between a sole-trader author, performer or designer and the enterprises – some very large and powerful indeed – to which they licence their works and which, sadly, are the prime perpetrators of infringements of creators’ rights.

The focus of the CRA’s activity at present is to confront the effect of this imbalance of power in allowing creators to be coerced into signing manifestly unjust contracts: we refer interested Committee members to www.fairtermsforcreators.org

The risk we see in this proposed legislation is that it may contribute to sole-trader creators being deterred from taking action to enforce the rights they have and retain.

What we are concerned about is the chilling effect of large corporations being able to issue threats of action for “unjustified threats”.

Consider a sole-trader creator who has issued proceedings for infringement of their rights, or merely stated an intention to take a powerful corporation to the Intellectual Property Enterprise Court. As currently drafted, the Bill would give credence to a threat by that corporation to issue counter-proceedings for “unjustified threats”. We would predict that such a creator, on seeking legal advice, would be told to “fold” at this point. The costs of defending the counter-claim would be wholly disproportionate to the amount claimed in the great majority of cases and would make that advice well-founded.

We do not yet have a textual proposal for an amendment to deal with this problem while retaining the sound aim of deterring “trolling” complaints. We would be most happy to work with members of the Committee on such a proposal.

Mike Holderness Chair, Creators’ Rights Alliance
Thank you for your letter of 19th September 2016 addressed to Rowan Freeland inviting the IPLA to provide evidence in relation to the Intellectual Property (Unjustified Threats) Bill.

The IPLA shares the view of the Law Commission that the law relating to 'threats' of intellectual property infringement proceedings is in need of reform. The draft Bill would bring greater clarity to what can and cannot be said in communications, and to whom, before commencing court proceedings. This can only increase the opportunities for pre-action correspondence, which may lead to a greater number of disputes being resolved without the need to commence court proceedings. This should result in costs savings to business and savings in costs and resources for the Court. The Bill will also remove potential ancillary liability of legal advisors acting on client instructions, which is often used strategically by the recipient of the threat to create uncertainty and discord between advisors and their client and can lead to an increase in costs for all involved. This Bill will therefore further the Overriding Objective, as set out in Rule 1 of the Civil Procedure Rules. The IPLA supports the draft Bill and hopes it may receive Royal Ascent without delay.

Should the House of Lords be minded to entertain any amendment to the Bill, there is one potential amendment which would reduce the scope for uncertainty (and thus litigation) around interpretation of the new provisions set out in the Bill. In each of the provisions relating to each type of intellectual property right, there is provision for making 'permitted communications'. This sets out what a rights holder may say in correspondence to third parties, for example, to try to trace the source of potentially infringing goods or services. However, in our view, the provisions would be clearer if the word 'solely' was deleted from the relevant draft clauses (708(1)(a) (Patents Act); 21B(1)(a) (Trade Marks Act); 26B(1)(a) (Registered Designs Act); 253B(1)(a) (Copyright Designs and Patents Act); and 28(1)(a) (Community Designs Regulations)), as shown struck-through in the attached PDF for example.

Interpretation of whether a communication was "made solely for a permitted purpose" might be thought to require a subjective assessment of the 'sole purpose', in the mind of the sender, which we do not believe is the intention. In the IPLA’s view, deleting ‘solely’ in these provisions would remove that uncertainty, without accidentally altering the effect of the clause overall, which sets
out what information can and cannot be included in a ‘permitted communication’. Deleting the word “solely” could remove the risk of any uncertainty regarding interpretation of these provisions.

We would be happy to provide further information or explanation should be of interest or assistance.

Yours sincerely

Michael Burdon
Secretary IPLA
BGMA’S RESPONSE TO THE SPECIAL PUBLIC BILL COMMITTEE’S REVIEW OF THE INTELLECTUAL PROPERTY (UNJUSTIFIED THREATS) BILL

1. The British Generic Manufacturers Association (BGMA) welcomes the opportunity to be able to respond to the Bill that has been introduced in Parliament. We welcome the Bill, which sets out in legislation how a firm can issue a communication where it feels its intellectual property may be impinged upon.

THE RELEVANCE TO THE PHARMACEUTICAL INDUSTRY AND SOCIETY

2. Looking at our sector of the economy, we believe it is right to set out what is acceptable practice around communications relating to patent infringement or expiry (and potential threats arising under these), detailing the circumstances in which originator pharmaceutical companies appropriately communicate with those manufacturers seeking to launch equivalent generic products or third parties, including where a doctor or pharmacist is making prescribing or dispensing decisions.

3. This is because the generic and biosimilar medicines industry that we represent, relies upon a careful balance between the need to protect intellectual property rights and the desire to promote fair competition. Upon patent expiry, generic medicines manufacturers can launch equivalent versions, which are typically sold at a substantially lower price. In addition to generic competition saving the NHS over £13bn per year, based on if all scripts were fulfilled as a brand, wider societal benefits are delivered. With the price of a medicine typically lowering by 80-90%, this broadens patient access to medicines. Importantly, the savings to the drugs budget free up finite resources to be spent on new, innovative medicines.

4. The patent afforded to the originator company provides a reasonable guarantee of return on research and development costs. In turn, this incentivises further investment in R&D to support continued investment of new, innovative medicines. We support this and recognise the need for patent holders to communicate their rights appropriately.

THE IMPORTANCE OF THE BALANCE BETWEEN IPR AND FAIR COMPETITION

5. However, it is the expiration of the patent, as much as the awarding of the patent, that ensure companies continue to invest in developing new medicines and cannot rely on their monopoly status. So in a sense, the two parts of the pharmaceutical industry create a virtuous circle. As part of this, once the patent has expired, it is essential that the rights of other manufacturers to produce generic versions are protected. For example, groundless threats made to discourage a generic company from launching an equivalent version may discourage this launch, thereby inhibiting competition. Hence, having a clear and tight list of what communications do not constitute a threat from the party seeking to uphold their patent rights supports this.

6. The proposed Bill does not stop an unjustified threat, but if one is made, the alleged infringer may counter-sue as a result of the unjustified threat and seek an injunction and damages. This is positive as it makes the level of risk more transparent for the party that makes the unjustified threat and protects against abuse by patent-holders.

7. In the field of pharmaceuticals, a threat may be made when a party is about to lose virtually all their market share. Because of this position, there is a great incentive to discourage other market entrants,
whether frankly, the reasoning may be credible or not. Clear rules around groundless threats, alongside
the ability of the alleged infringer to counter-sue, creates greater equality of risk and supports a better
balance between upholding intellectual property rights and ensuring fair competition.

**STRENGTHENING THE WORDING TO SUPPORT THE INTENT OF THE LEGISLATION**

8. In this regard, we recommend making an amendment to the Bill under Permitted Communications (70B).
Clause 70B (1) states that “communications containing a threat of infringement proceeding is a “permitted
communication” if:

(a) the communication, so far as it contains information that relates to the threat, is made solely for a
permitted purpose;

(b) all of the information that relates to the threat is information that—

   (i) is necessary for that purpose (see subsection (5)), and

   (ii) the person making the communication reasonably believes is true”.

9. The reality is that the last sub-clause (ii) is too weak. We are concerned that “reasonably believes” is
unclear, and as such, the behaviour that the Bill is seeking to curb risks not being captured. Rather, we
believe that all the current sub-clause (ii) wording should be deleted, and amended simply to say “is true”.

**IT IS RIGHT THAT EVERYBODY IN RECEIPT OF A COMMUNICATION IS COVERED**

10. We also support that permitted communications, under the Bill, covers everybody that is in receipt of a
communication. We have seen approaches in the past where originator companies have written to
doctors and pharmacists to warn them about prescribing a generic equivalent. Given the economic
imbalance that is often the case, it is important that third parties are covered.

11. In cases where a communication to a healthcare profession may be made, it is often where the patent on
one indication has expired, but another patent still exists for other indications. We don’t question a
patent-holder’s right to make specific healthcare professionals aware that a patent exists, but we would
argue that this should be to those prescribing medicines as they know why the patient is receiving the
product, not the dispenser, who may well not be aware. We suggest that attempts in the past to
communicate with the dispenser, and not the prescriber, understood this and were seeking to play on
doubt, in the hope of influencing the dispenser in issuing their product in uniform fashion.

12. Secondary and further indications being still on patent (while one or some are not) will become a growing
issue and the Government needs to give thought as to developing a balanced and acceptable way of
operating.

**ABOUT GENERIC MEDICINES AND THE BGMA**

13. The British Generic Manufacturers Association (BGMA) represents the interests of UK-based
manufacturers and suppliers of generic and biosimilar medicines and promotes the development and
understanding of the generic and biosimilar medicines industry in the UK. Our 29 members account for
around 90% of the UK generic medicines market by volume. Generic medicines are launched when the
patent on a medicine produced by a research-based pharmaceutical (or originator) company expires.
When a patent expires, generic manufacturers can produce equivalent versions that contain the same
active ingredient. Generic medicines are tested by the medicines regulator (MHRA) to the same standards
of safety and efficacy as the originator product. The high number of generic manufacturers helps ensure that generic medicine prices are much less than that of the originator version under patent protection.

14. Based on NHS Digital data, in England 2015, competition from generic medicines in England’s community pharmacies saved the NHS nearly £13.3 billion. The average reimbursement cost to the NHS of a generic medicine was £4.33, whilst the average cost of a branded medicine was £20.79. Had all scripts been reimbursed at the latter price, the drugs bill would have been £13.3bn higher.

15. Competition from generic medicines also stimulates the originator or research-based pharmaceutical industry to develop new medicines (as generic medicines capture the bulk of the market after patent expiry). Furthermore, in keeping medicines affordable for the Department of Health, this allows further investment in other healthcare priorities, and promotes innovation in the development of new medicines.

16. The British Biosimilars Association is an expert sector group of the BGMA focused on increasing understanding and usage of biosimilar medicines in the UK.

6 October 2016

Submitted by Robert Russell-Pavier, British Generic Manufacturers Association
EXPLANATORY NOTES

Explanatory notes to the Bill, prepared by the Department for Business, Innovation and Skills, are published separately as HL Bill 4 – EN.

EUROPEAN CONVENTION ON HUMAN RIGHTS

Baroness Neville-Rolfe has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Intellectual Property (Unjustified Threats) Bill [HL] are compatible with the Convention rights.
CONTENTS

Patents
1 Patents

Trade marks
2 Trade marks
3 European Union trade marks

Registered designs, design right and Community design
4 Registered designs
5 Design right
6 Community design

Final provisions
7 Extent
8 Commencement
9 Short title
A

B I L L

TO

Amend the law relating to unjustified threats to bring proceedings for infringement of patents, registered trade marks, rights in registered designs, design right or Community designs.

E IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Patents

1 Patents

(1) The Patents Act 1977 is amended as follows.

(2) For section 70 (remedy for unjustified threats of infringement proceedings) substitute—

"Unjustified threats

70 Threats of infringement proceedings

(1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—

(a) a patent exists, and

(b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the patent by—

(i) an act done in the United Kingdom, or

(ii) an act which, if done, would be done in the United Kingdom.

(2) References in this section and in section 70C to a “recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.
70A Actionable threats

(1) Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.

(2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of—
   (a) where the invention is a product, making a product for disposal or importing a product for disposal, or
   (b) where the invention is a process, using a process.

(3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b).

(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.

(5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

(6) In sections 70C and 70D “an actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

70B Permitted communications

(1) For the purposes of section 70A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—
   (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;
   (b) all of the information that relates to the threat is information that—
      (i) is necessary for that purpose (see subsection (5)), and
      (ii) the person making the communication reasonably believes is true.

(2) Each of the following is a “permitted purpose”—
   (a) giving notice that a patent exists;
   (b) discovering whether, or by whom, a patent has been infringed by an act mentioned in section 70A(2)(a) or (b);
   (c) giving notice that a person has a right in or under a patent, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the patent.

(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

(4) But the following may not be treated as a “permitted purpose”—
(a) requesting a person to cease doing, for commercial purposes, anything in relation to a product or process,
(b) requesting a person to deliver up or destroy a product, or
(c) requesting a person to give an undertaking relating to a product or process.

(5) Examples of information that may be regarded as necessary for a permitted purpose include—
(a) a statement that a patent exists and is in force or that an application for a patent has been made;
(b) details of the patent, or of a right in or under the patent, which—
   (i) are accurate in all material respects, and
   (ii) are not misleading in any material respect; and
(c) information enabling the identification of the products or processes in respect of which it is alleged that acts infringing the patent have been carried out.

70C Remedies and defences

(1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—
   (a) a declaration that the threat is unjustified;
   (b) an injunction against the continuance of the threat;
   (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.

(2) In the application of subsection (1) to Scotland—
   (a) “declaration” means “declarator”, and
   (b) “injunction” means “interdict”.

(3) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the patent.

(4) It is a defence for the person who made the threat (T) to show—
   (a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in section 70A(2)(a) or (b) in relation to the product or the use of a process which is the subject of the threat, and
   (b) that T notified the recipient, before or at the time of making the threat, of the steps taken.

70D Professional advisers

(1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met.

(2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat—
   (a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney, and
   (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 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].
regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

(3) The conditions are that—
   (a) in making the communication the professional adviser is acting on the instructions of another person, and
   (b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.

(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.

(5) It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—
   (a) the person concerned was acting as a professional adviser, and
   (b) the conditions in subsection (3) were met.

70E Supplementary: pending registration

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”.

70F Supplementary: proceedings for delivery up etc.

In section 70(1)(b) the reference to proceedings for infringement of a patent includes a reference to proceedings for an order under section 61(1)(b) (order to deliver up or destroy patented products etc.).”

(3) In section 70F (inserted by subsection (2)) at the end insert “and proceedings in the Unified Patent Court for an order for delivery up made in accordance with articles 32(1)(c) and 62(3) of the Agreement on a Unified Patent Court.”

(4) Before section 71 insert—

“Declaration or declarator as to non-infringement”.

(5) In section 74 (proceedings in which validity of a patent may be put in issue) in subsection (1)(b), for “under section 70” substitute “in respect of an actionable threat under section 70A”.

(6) In section 78 (effect of filing an application for a European patent (UK)), in subsection (2) at the appropriate place insert “sections 70 to 70F”.

(7) In section 106 (costs and expenses in proceedings before the Court) in subsection (1A)(c), for “under section 70” substitute “in respect of an actionable threat under section 70A”.

(8) In paragraph 2 of Schedule A3 (application of relevant statutory provisions to European patent with unitary effect) at the appropriate place insert “sections 70 to 70F (unjustified threats);”.

Trade marks

(1) The Trade Marks Act 1994 is amended as follows.
For section 21 (remedy for unjustified threats of infringement proceedings) substitute—

"Unjustified threats

21 Threats of infringement proceedings

(1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—
   (a) a registered trade mark exists, and
   (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the registered trade mark by—
      (i) an act done in the United Kingdom, or
      (ii) an act which, if done, would be done in the United Kingdom.

(2) References in this section and in section 21C to a “recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

21A Actionable threats

(1) Subject to subsections (2) to (6), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.

(2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of—
   (a) applying, or causing another person to apply, a sign to goods or their packaging,
   (b) importing, for disposal, goods to which, or to the packaging of which, a sign has been applied, or
   (c) supplying services under a sign.

(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 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 or their packaging [other than by the originator of the electronic publication or communication or other form.

(3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a), (b) or (c).

(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 goods or their packaging 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 those any goods or their packaging having, [so far as is material [to the alleged infringement]] the same features of such goods or their packaging.

(5) 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)(c) in relation to services, and

(b) is a threat of proceedings for an infringement alleged to consist of doing anything else in relation to those services.
(6) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

(7) In sections 21C and 21D “an actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

21B Permitted communications

(1) For the purposes of section 21A(6), a communication containing a threat of infringement proceedings is a “permitted communication” if—
   (a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;
   (b) all of the information that relates to the threat is information that—
       (i) is necessary for that purpose (see subsection (5)), and
       (ii) the person making the communication reasonably believes is true.

(2) Each of the following is a “permitted purpose”—
   (a) giving notice that a registered trade mark exists;
   (b) discovering whether, or by whom, a registered trade mark has been infringed by an act mentioned in section 21A(2)(a), (b) or (c);
   (c) giving notice that a person has a right in or under a registered trade mark, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the registered trade mark.

(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

(4) But the following may not be treated as a “permitted purpose”—
   (a) requesting a person to cease using, in the course of trade, a sign in relation to goods or services,
   (b) requesting a person to deliver up or destroy goods, or
   (c) requesting a person to give an undertaking relating to the use of a sign in relation to goods or services.

(5) Examples of information that may be regarded as necessary for a permitted purpose include—
   (a) a statement that a registered trade mark exists and is in force or that an application for the registration of a trade mark has been made;
   (b) details of the registered trade mark, or of a right in or under the registered trade mark, which—
       (i) are accurate in all material respects, and
       (ii) are not misleading in any material respect; and
   (c) information enabling the identification of the goods or their packaging, or the services, in relation to which it is alleged that the use of a sign constitutes an infringement of the registered trade mark.
21C Remedies and defences

(1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—

(a) a declaration that the threat is unjustified;
(b) an injunction against the continuance of the threat;
(c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.

(2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the registered trade mark.

(3) It is a defence for the person who made the threat (T) to show—

(a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in section 21A(2)(a), (b) or (c) in relation to the goods or their packaging or the services which are the subject of the threat, and
(b) that T notified the recipient, before or at the time of making the threat, of the steps taken.

21D Professional advisers

(1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met.

(2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat—

(a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney, and
(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 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 one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

(3) The conditions are that—

(a) in making the communication the professional adviser is acting on the instructions of another person, and
(b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.

(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.

(5) It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—

(a) the person concerned was acting as a professional adviser, and
(b) the conditions in subsection (3) were met.

21E Supplementary: pending registration

In sections 21 to 21C, but not including s.21C(3), references to a registered 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.”
21F Supplementary: proceedings for delivery up etc.

In section 21(1)(b) the reference to proceedings for infringement of a registered trade mark includes a reference to—
(a) proceedings for an order under section 16 (order for delivery up of infringing goods, material or articles), and 5
(b) proceedings for an order under section 19 (order as to disposal of infringing goods, material or articles)."

3 European Union trade marks

(1) Regulation 6 of the Community Trade Mark Regulations 2006 (S.I. 2006/1027) (unjustified threats of infringement proceedings) is amended as follows.

(2) In paragraph (1), for “section 21” substitute “sections 21 to 21D and section 21F”.

(3) After paragraph (1) insert—
“(1A) In the application of sections 21 to 21C in relation to a European Union trade mark, references to a registered trade mark are to be treated as references to a European Union trade mark in respect of which an application has been published in accordance with Article 39 of the European Union Trade Mark Regulation.”

(4) For paragraph (2) substitute—
“(2) In the application of sections 21 to 21C in relation to an international trade mark (EC), references to a registered trade mark are to be treated as references to an international trade mark (EC) in respect of which particulars of an international registration designating the European Union have been published in accordance with Article 152 of the European Union Trade Mark Regulation.”

(5) For the heading substitute “Unjustified threats”.

Registered designs, design right and Community design

4 Registered designs

(1) The Registered Designs Act 1949 is amended as follows.

(2) For the heading before sections 24A to 28 substitute—

“Legal proceedings: general”.

(3) For section 26 (remedy for unjustified threats of infringement proceedings)
substitute—

"Unjustified threats"

26 Threats of infringement proceedings

(1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—
   (a) a registered design exists, and
   (b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the right in the registered design by—
      (i) an act done in the United Kingdom, or
      (ii) an act which, if done, would be done in the United Kingdom.

(2) References in this section and in section 26C to a “recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

26A Actionable threats

(1) Subject to subsections (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.

(2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of—
   (a) making a product for disposal, or
   (b) importing a product for disposal.

(3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in subsection (2)(a) or (b).

(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 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, having, [so far as is material [to the alleged infringement]] the same features of such product.

(5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

(6) In sections 26C and 26D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

26B Permitted communications

(1) For the purposes of section 26A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—
(a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;
(b) all of the information that relates to the threat is information that—
   (i) is necessary for that purpose (see subsection (5)), and
   (ii) the person making the communication reasonably believes is true.

(2) Each of the following is a “permitted purpose”—
   (a) giving notice that a registered design exists;
   (b) discovering whether, or by whom, the right in a registered design has been infringed by an act mentioned in section 26A(2)(a) or (b);
   (c) giving notice that a person has a right in or under a registered design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the registered design.

(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

(4) But the following may not be treated as a “permitted purpose”—
   (a) requesting a person to cease doing, for commercial purposes, anything in relation to a product in which a design is incorporated or to which it is applied,
   (b) requesting a person to deliver up or destroy a product in which a design is incorporated or to which it is applied, or
   (c) requesting a person to give an undertaking relating to a product in which a design is incorporated or to which it is applied.

(5) Examples of information that may be regarded as necessary for a permitted purpose include—
   (a) a statement that a right in a registered design exists and is in force or that an application for registration of a design has been made;
   (b) details of the registered design, or of a right in or under the right in the registered design, which—
      (i) are accurate in all material respects, and
      (ii) are not misleading in any material respect; and
   (c) information enabling the identification of the products in which the registered design is allegedly incorporated or to which the registered design is allegedly applied.

26C Remedies and defences

(1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—
   (a) a declaration that the threat is unjustified;
   (b) an injunction against the continuance of the threat;
   (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.
(2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the right in the registered design.

(3) It is a defence for the person who made the threat (T) to show—

(a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in section 26A(2)(a) or (b) in relation to the product which is the subject of the threat, and

(b) that T notified the recipient, before or at the time of making the threat, of the steps taken.

26D Professional advisers

(1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met.

(2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat—

(a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney, and

(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 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, one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

(3) The conditions are that—

(a) in making the communication the professional adviser is acting on the instructions of another person, and

(b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.

(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.

(5) It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—

(a) the person concerned was acting as a professional adviser, and

(b) the conditions in subsection (3) were met.

26E Supplementary: pending registration

In sections 26 to 26C references to a registered design include references to a design in respect of which an application for registration has been made under section 3.

26F Supplementary: proceedings for delivery up etc.

In section 26(1)(b) the reference to proceedings for infringement of the right in a registered design includes a reference to—

(a) proceedings for an order under section 24C (order for delivery up), and

(b) proceedings for an order under section 24D (order as to disposal of infringing articles).”
(4) Before section 27 insert—

"Meaning of “the court” and appeals”.

(5) In section 45 (application to Scotland) after subsection (1) insert—

“(1A) In the application of section 26C(1)(a) (remedy for unjustified threat of
infringement proceedings) to Scotland, “declaration” means “declarator”.”

5 Design right

(1) Part 3 of the Copyright, Designs and Patents Act 1988 (design right) is
amended as follows.

(2) For section 253 (remedy for unjustified threats of infringement proceedings),
and the heading immediately before that section, substitute—

"Unjustified threats

253 Threats of infringement proceedings

(1) A communication contains a “threat of infringement proceedings” if a
reasonable person in the position of a recipient would understand from
the communication that—

(a) design right subsists in a design, and
(b) a person intends to bring proceedings (whether in a court in the United
Kingdom or elsewhere) against another person for infringement
of the design right by—

(i) an act done in the United Kingdom, or
(ii) an act which, if done, would be done in the United
Kingdom.

(2) References in this section and in section 253C to a “recipient” include,
in the case of a communication directed to the public or a section of the
public, references to a person to whom the communication is directed.

253A Actionable threats

(1) Subject to subsections (2) to (5), a threat of infringement proceedings
made by any person is actionable by any person aggrieved by the
threat.

(2) A threat of infringement proceedings is not actionable if the
infringement is alleged to consist of—

(a) making an article for disposal, or
(b) importing an article for disposal.

(3) A threat of infringement proceedings is not actionable if the
infringement is alleged to consist of an act which, if done, would
constitute an infringement of a kind mentioned in subsection (2)(a) or (b).

(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 an article, 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 article having, [so far as is material [to the alleged infringement]] the same features of such article.

(5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

(6) In sections 253C and 253D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this section.

253B Permitted communications

(1) For the purposes of section 253A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—

(a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;

(b) all of the information that relates to the threat is information that—

(i) is necessary for that purpose (see subsection (5)), and

(ii) the person making the communication reasonably believes is true.

(2) Each of the following is a “permitted purpose”—

(a) giving notice that design right subsists in a design;

(b) discovering whether, or by whom, design right in a design has been infringed by an act mentioned in section 253A(2)(a) or (b);

(c) giving notice that a person has a right in or under the design right in a design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the design right in the design.

(3) The court may, having regard to the nature of the purposes listed in subsection (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

(4) But the following may not be treated as a “permitted purpose”—

(a) requesting a person to cease doing, for commercial purposes, anything in relation to an article made to a design;

(b) requesting a person to deliver up or destroy an article made to a design, or

(c) requesting a person to give an undertaking relating to an article made to a design.

(5) Examples of information that may be regarded as necessary for a permitted purpose include—

(a) a statement that design right subsists in a design;

(b) details of the design, or of a right in or under the design right in the design, which—

(i) are accurate in all material respects, and

(ii) are not misleading in any material respect; and

(c) information enabling the identification of articles that are alleged to be infringing articles in relation to the design.
253C Remedies and defences

(1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—
   (a) a declaration that the threat is unjustified,
   (b) an injunction against the continuance of the threat,
   (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.

(2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of design right.

(3) It is a defence for the person who made the threat (T) to show—
   (a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in section 253A(2)(a) or (b) in relation to the article which is the subject of the threat, and
   (b) that T notified the recipient, before or at the time of making the threat, of the steps taken.

253D Professional advisers

(1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in subsection (3) are met.

(2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat—
   (a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney, and
   (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 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 other regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

(3) The conditions are that—
   (a) in making the communication the professional adviser is acting on the instructions of another person, and
   (b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.

(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.

(5) It is for a person asserting that subsection (1) applies to prove (if required) that at the material time—
   (a) the person concerned was acting as a professional adviser, and
   (b) the conditions in subsection (3) were met.

253E Supplementary: proceedings for delivery up etc.

In section 253(1)(b) the reference to proceedings for infringement of design right includes a reference to—
(a) proceedings for an order under section 230 (order for delivery up), and
(b) proceedings for an order under section 231 (order as to disposal of infringing articles)."

(3) Before section 254 insert—

“Licensee under licence of right not to claim connection with design right owner”.

(4) In section 262 (adaptation of expressions in relation to Scotland) at the appropriate place insert—

“declaration” means "declarator";”.

6 Community design

(1) The Community Design Regulations 2005 (S.I. 2005/2339) are amended as follows.

(2) For regulation 2 (remedy for unjustified threats of infringement proceedings) substitute—

“2 Unjustified threats: threats of infringement proceedings

(1) A communication contains a “threat of infringement proceedings” if a reasonable person in the position of a recipient would understand from the communication that—

(a) a Community design exists, and
(b) a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement of the Community design by—

(i) an act done in the United Kingdom, or
(ii) an act which, if done, would be done in the United Kingdom.

(2) References in this regulation and in regulation 2C to a “recipient” include, in the case of a communication directed to the public or a section of the public, references to a person to whom the communication is directed.

2A Unjustified threats: actionable threats

(1) Subject to paragraphs (2) to (5), a threat of infringement proceedings made by any person is actionable by any person aggrieved by the threat.

(2) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of—

(a) making an article for disposal, or
(b) importing an article for disposal.

(3) A threat of infringement proceedings is not actionable if the infringement is alleged to consist of an act which, if done, would constitute an infringement of a kind mentioned in paragraph (2)(a) or (b).

(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 paragraph (2)(a) or (b) in relation to an article 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 article having, [so far as is material [to the alleged infringement]] the same features of such article.

(5) A threat of infringement proceedings which is not an express threat is not actionable if it is contained in a permitted communication.

(6) In regulations 2C and 2D an “actionable threat” means a threat of infringement proceedings that is actionable in accordance with this regulation.

2B Unjustified threats: permitted communications

(1) For the purposes of regulation 2A(5), a communication containing a threat of infringement proceedings is a “permitted communication” if—

(a) the communication, so far as it contains information that relates to the threat, is made solely for a permitted purpose;

(b) all of the information that relates to the threat is information that—

(i) is necessary for that purpose (see paragraph (5)), and

(ii) the person making the communication reasonably believes is true.

(2) Each of the following is a “permitted purpose”—

(a) giving notice that a Community design exists;

(b) discovering whether, or by whom, a Community design has been infringed by an act mentioned in regulation 2A(2)(a) or (b);

(c) giving notice that a person has a right in or under a Community design, where another person’s awareness of the right is relevant to any proceedings that may be brought in respect of the Community design.

(3) The court may, having regard to the nature of the purposes listed in paragraph (2)(a) to (c), treat any other purpose as a “permitted purpose” if it considers it necessary in the interests of justice to do so.

(4) But the following may not be treated as a “permitted purpose”—

(a) requesting a person to cease doing, for commercial purposes, anything in relation to an article made to a design, in which a design is incorporated or to which it is applied,

(b) requesting a person to deliver up or destroy an article made to a design, in which a design is incorporated or to which it is applied, or

(c) requesting a person to give an undertaking relating to an article made to a design, in which a design is incorporated or to which it is applied.

(5) Examples of information that may be regarded as necessary for a permitted purpose include—

(a) a statement—

(i) that a design is a registered Community design and the registration is in force,
(ii) that an application for a registered Community design has been made, or
(iii) that a design is protected as an unregistered Community design;
(b) details of the Community design, or of a right in or under the Community design, which—
   (i) are accurate in all material respects, and
   (ii) are not misleading in any material respect; and
(c) information enabling the identification of the article that is alleged to be infringing an article in relation to the design.

2C Unjustified threats: remedies and defences

(1) Proceedings in respect of an actionable threat may be brought against the person who made the threat for—
   (a) a declaration that the threat is unjustified;
   (b) an injunction against the continuance of the threat;
   (c) damages in respect of any loss sustained by the aggrieved person by reason of the threat.

(2) It is a defence for the person who made the threat to show that the act in respect of which proceedings were threatened constitutes (or if done would constitute) an infringement of the Community design.

(3) It is a defence for the person who made the threat (T) to show—
   (a) that, despite having taken all reasonable steps, T has not identified anyone who has done an act mentioned in regulation 2A(2)(a) or (b) in relation to the article which is the subject of the threat, and
   (b) that T notified the recipient, before or at the time of making the threat, of the steps taken.

2D Unjustified threats: professional advisers

(1) Proceedings in respect of an actionable threat may not be brought against a professional adviser (or any person vicariously liable for the actions of that professional adviser) if the conditions in paragraph (3) are met.

(2) In this section “professional adviser” means a person who, in relation to the making of the communication containing the threat—
   (a) is acting in a professional capacity in providing legal services or the services of a trade mark attorney or a patent attorney, and
   (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 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”, one or more regulatory bodies (whether through membership of a regulatory body, the issue of a licence to practise or any other means).

(3) The conditions are that—
   (a) in making the communication the professional adviser is acting on the instructions of another person, and
   (b) when the communication is made the professional adviser identifies the person on whose instructions the adviser is acting.
(4) This section does not affect any liability of the person on whose instructions the professional adviser is acting.

(5) It is for a person asserting that paragraph (1) applies to prove (if required) that at the material time—
   (a) the person concerned was acting as a professional adviser, and
   (b) the conditions in paragraph (3) were met.

2E Unjustified threats: supplementary: pending registration

In the application of regulations 2 to 2C in relation to a registered Community design, references to a Community design include references to a Community design in respect of which an application for registration has been filed in accordance with Article 35 of the Community Design Regulation.

2F Unjustified threats: supplementary: proceedings for delivery up etc.

In regulation 2(1)(b) the reference to proceedings for infringement of the Community design includes a reference to—
   (a) proceedings for an order under regulation 1B (order for delivery up), and
   (b) proceedings for an order under regulation 1C (order as to disposal of infringing articles).”

(3) In regulation 5A(1) (application to Scotland) at the appropriate place insert—
   ““declaration” means “declarator”;”.

Final provisions

7 Extent

(1) This Act extends to England and Wales, Scotland and Northern Ireland.

(2) The following provisions also extend to the Isle of Man, subject to such modifications as Her Majesty may by Order in Council provide—
   (a) section 1(1), (2) and (4) to (7);
   (b) section 2;
   (c) section 4;
   (d) this subsection;
   (e) section 8 (so far as relating to the commencement of provisions which extend to the Isle of Man);
   (f) section 9.

(3) Her Majesty may by Order in Council provide for the amendments made by section 1(3) and (8) of this Act to the Patents Act 1977 to extend, with or without modifications, to the Isle of Man.

(4) The power to make an Order in Council under section 255(2) of the Copyright, Designs and Patents Act 1988 (extension of certain provisions to the Isle of Man, the Channel Islands or other territories, with or without modifications) may be exercised in relation to any amendment made by section 5 above (and in section 255(4) and (5) of that Act the references to Part 3 include references to the provisions substituted or inserted by the amendments made by section 5).
8 Commencement

(1) This section, section 7(1) to (3) and section 9 come into force on the day on which this Act is passed.

(2) The other provisions of this Act come into force on such day or days as the Secretary of State may by regulations made by statutory instrument appoint.

(3) Regulations under subsection (2) may—
   (a) appoint different days for different purposes;
   (b) make transitional, transitory or saving provision.

9 Short title

This Act may be cited as the Intellectual Property (Unjustified Threats) Act 2016.
A

B I L L

To Amend the law relating to unjustified threats to bring proceedings for infringement of patents, registered trade marks, rights in registered designs, design right or Community designs.

Baroness Neville-Rolfe

Ordered to be Printed, 19th May 2016