

LEGAL BRIEFING

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# Five practical things you really need to know about the new groundless threats rules

The much awaited Intellectual Property (Unjustified Threats) Act 2017 came into force at the start of this month. Only time will tell if the changes will redress the balance between IP rights holders being able to responsibly assert their rights and business being disrupted through issue of unjustified threats of infringement. I very much hope that we will be better able to intimate concerns regarding IP infringement and engage in sensible discussions to reach a resolution without fear of our client (or us!) being sued for groundless threats.

There has been much said about the new law, in this briefing note I summarise five key points which now need to be considered.

## 1. There is a new test for determining what constitutes a groundless threat

The 2017 Act covers threats of infringement proceedings of patents, trade marks, registered designs, design rights and community design. However, the test for what constitutes a communication of a groundless threat is now the same across these forms of IP:

the threat of infringement proceedings must be (i) one that a reasonable person receiving the communication would understand relates to the IP, and (ii) that the sender intends to raise proceedings against the recipient in any court (within the UK or not) for an act done or to be done in the UK.

However, a threat of infringement proceedings is only actionable if the recipient can be said to be 'aggrieved by the threat' and it doesn't fall into one of the exceptions: if the threat made is concerning "primary acts" (manufacture, importing etc), or the threat is made to a "primary actor" directly.

## 2. The primary actor exception has been extended.

It is important to understand the distinction between “primary acts”, such as the manufacturing or importing of goods which might infringe a patent, or the application of a trade mark to goods or - and “secondary acts” being the sale, promotion of goods, and other such actions further down the supply chain.

A threat of infringement will not be actionable under the Act if:

- i. The threat relates to a “primary act”, such as the development or importing of a product with an infringed patent, or the application of an infringed trade mark to goods or the importing of these goods.
- ii. The threat is made to a “primary actor”, regardless of their actions. For example, a threat can be challenged if it relates to the sale or promotion of goods or other actions further down the supply chain (known as secondary acts), unless it is the Primary Actor who is also taking this action.

This extension of the primary actor exception will should be welcomed by all IP holders. The exception, that sensibly permits communications targeting the parties who are the likely cause of IP infringement, was previously only available to patent infringements. With the introduction of the 2017 Act, other types of IP infringement can also now be pursued against primary infringers without fear the IP holder will be accused of, or enforcement delayed by, a claim that the communication is a groundless threat.

## 3. What are permitted communications?

Fortunately, not all communications relating to IP infringements will be caught by the provisions of the new Act – a new concept of “permitted communications” has been introduced. A communication that is considered a “permitted communication” under the Act must not contain an express threat to sue **and** fall into one of the three categories below:

- i. It is made for a “permitted purpose”. The Act defines a permitted purpose as the notification that an IP right exists, that a person has a right under that IP right, or the communication is seeking to identify the infringer.
- ii. All the information contained within the communication is necessary for the permitted purpose described in (i); and
- iii. The person making the communication reasonably believes all the information is true.

Therefore where an IP rights owner is seeking to get information from a secondary actor about the true origin of the IP infringement, and their communications are not threatening enforcement action, then the communication is likely to fall within the permitted communications category.

## 4. The defences of justification and in the situation where no primary actor can be found has been extended beyond patents

Even when a threat of infringement proceedings is actionable, the sender of the communication still has defences open to them. The first, simply put, is that the communication is justified if the recipient was in fact infringing the IP right and that right is valid.

The second defence involves cases where the primary actor cannot be identified provided the sender has taken reasonable steps to identify the primary actor. If the sender’s investigations fail to find the primary actor, and notifies the recipient that they have taken all reasonable steps, then this will be a defence under the Act. However, quite what will constitute such reasonable steps, is entirely uncertain.

## **5. The risk of professional adviser liability for groundless threats is reduced but not entirely gone.**

It is intended that the tactic of depriving the rights holder of their lawyer or attorney just as they are at the stage of enforcing rights should be removed. It is the general rule that an agent acting on behalf of a disclosed principal should not be liable for actions done within their mandate. The previous groundless threats regime was one of the exceptions to that. This change is welcomed however, it is important to bear in mind that risks of adviser liability remain.

What should you do to ensure liability is managed?

- We intend to modify our letters of engagement to make express reference to issuing claim letters.
- Prior to issue of a claim letter, it is our general practice to allow the client to see a draft and ensure that they approve issue of it. We shall make ensure that we have express instructions to issue it. Ensure you are in a position to easily vouch the instruction.
- It is important to ensure that we have correctly identified and disclosed the client on whose behalf the claim letter is issued. In instances when you are acting for complex multi-nationals, that may not be as obvious as it appears.
- Ensure that the letter is being issued by a regulated adviser.

Of course, whilst we advisers may breathe more easily, it is important to fully advise clients of the risk of a groundless threats action following issue of a claim letter.

If you would like any further information, please contact:



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