

IP & Media Update: Groundless Threats: The Future

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The delicate balancing act between protecting the hard-earned reputation of a successful brand, whilst avoiding "groundless threats" proceedings, has long been a challenge for trade mark owners. However, changes are afoot.

On 24 January 2017, the *Intellectual Property (Unjustified Threats) Bill* successfully navigated the Committee stage of the House of Commons. The bill proposes a complete overhaul of the groundless threat provisions contained within the *Trade Marks Act 1994* (among others). We will publish a guide to the bill when it has passed through the House of Commons later this year.

In the meantime, the Court has handed down judgments in two cases which could significantly affect the rights of parties considering or facing proceedings in relation to an alleged groundless threat.

The Existing Law

Under *s21 Trade Mark Act 1994*, a recipient of a cease or desist letter (or other threat of proceedings in relation to trade mark infringement) may issue proceedings for relief against the person threatening proceedings if the cease and desist letter does not specifically relate to the application of a registered trademark onto goods (or their packaging), the importation of such goods or the supply of services under the trade mark.

The available relief includes (1) a declaration that the threats are unjustifiable; (2) an injunction preventing continuance of the threats; (3) damages in respect of any loss sustained by the threats.

The claimant will be entitled to such relief unless the writer of the letter can show that the acts complained of in the letter constitute, or if done would constitute, an infringement of the registered trade mark.

Idle Threats

In *Vanderbilt v Wallace & Ors [2017] EWHC 45 (IPEC)* the High Court held that a threat was not groundless merely because the trademark owner did not ultimately issue proceedings in accordance with the threat. There are often very good commercial reasons why a trademark owner may elect not to issue proceedings notwithstanding a clear infringement. Therefore, when assessing whether a threat is groundless for the purposes of *section 21*, the Court will focus on whether the acts complained of infringe, or if done would infringe, the intellectual property rights of the trade mark owner and not whether the trade mark owner carries out its threat to sue.

Therefore, *section 21* does not oblige trade mark owners to commence legal proceedings for every act complained of in a cease and desist letter.

This is a positive development for trade mark owners who, subject to carrying out proper due diligence to establish infringement, can send cease and desist letters to infringers of intellectual property rights, even if in the long term legal proceedings are not commercially viable.

Protection of IP rights across the EU

In *Nvida Corporation & Ors v Hardware Labs Performance Systems [2016] EWHC 3135*, the High Court affirmed three key principles in relation to groundless threats proceedings:

- A groundless threat claim can be based on an EU registered trade mark;
- In appropriate circumstances a threat letter will be treated as if it had been viewed with the assumption that the recipient had had the benefit of legal advice to explain any legal technicalities; and
- A threat to cease and desist from using trade marks "in the course of trade in the EU" is not, of itself, sufficient to constitute a groundless threat within the UK. The court will look at the broader circumstances of the case.

On the facts, the alleged groundless threat related to the use of trademarks on various German websites, written in German by a German company. There was no mention of the UK or the UK courts in the letter. On that basis, Mann J concluded that the letter was not a threat to sue in the UK and therefore the groundless threats provisions of *section 21* did not apply.

Whilst trade mark owners and their representatives must remain vigilant of the groundless threat provisions, this is a significant development for multinational companies eager to protect their intellectual property rights across the European

Union and in other jurisdictions. Provided the cease and desist letter makes it clear that the acts complained of occurred outside the UK and there is no indication within the letter, or broader circumstances, that enforcement proceedings will be issued in the UK, the trade mark owner should have protection from the groundless threat provisions of the *Trade Mark Act 1994*. Although it is of course possible that the trade mark owner may face similar proceedings in the jurisdiction to which the cease and desist letter relates.

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