

Title: Patent, trade mark and design litigation: groundless threats IA No: Lead department or agency: Law Commission Other departments or agencies: Intellectual Property Office	Impact Assessment (IA)			
	Date: 17/04/2012			
	Stage: Consultation			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
Contact for enquiries: Julia Jarzabkowski 02033340292				
Summary: Intervention and Options			RPC Opinion: Awaiting Scrutiny	

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£m	£m	£m	Yes	In/Out/zero net cost

What is the problem under consideration? Why is government intervention necessary?

Patents, trade marks and design rights are a vital foundation of economic growth whose value is undercut by infringing use. Enforcement against this is essential, but if misused it can stifle innovation, development and competition. A threat to enforce an invalid right, or without an intention to follow it up, is said to be groundless. The threats provisions, introduced in the 19th century, provide a remedy. The provisions still have an important function to perform, however, in modern times they do not work efficiently or well in national and global markets. They may even prevent legitimate claims for infringement from being brought, particularly by small businesses, for fear of being caught up in expensive and disruptive litigation.

What are the policy objectives and the intended effects?

- (1) To reduce the tactical abuse of the threats regime, which encourages unnecessary litigation;
- (2) To simplify the law, reducing the cost of IP advice; and
- (3) To ensure fair competition by providing protection for those whose commercial interests are damaged by groundless threats.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing

Option 2: Introduce limited and evolutionary reforms. This will clarify the law and build on the reforms made to patent law in 2004 to improve consistency of approach across the three rights currently protected by groundless threats legislation.

Option 3: Repeal the current groundless threats provisions and introduce a new action of making false or misleading allegations based on the Paris Convention.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Commissioner: David Hertzell Date: 17/04/2013

Summary: Analysis & Evidence

Policy Option 1

Description: Do nothing

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	High: 0	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

This option has no costs. However it does not meet the policy objectives.

Other key non-monetised costs by 'main affected groups'

Inconsistency will remain between the rights requiring those seeking to enforce trade marks or design rights against a primary infringer to proceed cautiously or not at all. The provisions will continue to be used tactically, for example legal advisers will continue to be regarded as targets by those seeking to improve their negotiating position.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

This option has no benefits

Other key non-monetised benefits by 'main affected groups'

This option has the benefit of maintaining the status quo.

Key assumptions/sensitivities/risks	Discount rate (%)	
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BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0	No	Zero net cost
Benefits: 0		
Net: 0		

Summary: Analysis & Evidence

Policy Option 2

Description: Introduce limited evolutionary reform

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	High: 0	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

We have not been able to monetise the costs, but we are consulting on this.

Other key non-monetised costs by 'main affected groups'

Costs are anticipated as minimal. The main costs would be the transitional costs, as IP practitioners familiarise themselves with the new law. We anticipate, however, that these would be low, as the proposed reforms build on 45 years of case law and reforms made in 2004 which are familiar to IP practitioners.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

We have not been able to monetise the benefits, but we are consulting on this.

Other key non-monetised benefits by 'main affected groups'

The reform will make it easier for rights holders to approach a manufacturer or importer who may be infringing trade marks or design rights without running the risk of immediate litigation. The reforms should reduce legal costs, improve access to professional advice, and reduce the number of cases coming to court as parties are able to discuss their disputes before litigating in compliance with the Civil Procedure Rules.

Key assumptions/sensitivities/risks	Discount
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BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs:	Yes	Zero net cost
Benefits:		
Net:		

Summary: Analysis & Evidence

Policy Option 3

Description: Repeal the current groundless threats provisions and introduce a new action based on the Paris Convention.

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
COSTS (£m)					
		Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low		0	0	0	
High		0	0	0	
Best Estimate		0	0	0	
<p>Description and scale of key monetised costs by 'main affected groups' We have not been able to monetise the costs, but we are consulting on this.</p>					
<p>Other key non-monetised costs by 'main affected groups' It is not possible to quantify the costs of this option. As with all new rights however they will be more substantial. Practitioners in this field would need to adapt to a new cause of action and devote additional time to understanding how it will affect them. There would also be a period of "bedding in" requiring court cases to give guidance on the new right.</p>					
BENEFITS (£m)					
		Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low		0	0	0	
High		0	0	0	
Best Estimate		0	0	0	
<p>Description and scale of key monetised benefits by 'main affected groups' We have not been able to monetise the benefits, but we are consulting on this.</p>					
<p>Other key non-monetised benefits by 'main affected groups' The key benefits that we anticipate are that: protection against threats would be extended to other analogous actions such as passing off, which are currently not covered. The action would also protect against allegations of infringement, which can be damaging, and not just threats of proceedings. Additionally, it would extend protection to threats to sue in another jurisdiction.</p>					
Key assumptions/sensitivities/risks				Discount rate (%)	

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
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Costs: 0	Benefits: 0	Net: 0	Yes	Zero net cost
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