

Bills Committee on Trade Marks Bill

Further Note on the Relief from Groundless Threats of Infringement Proceedings

Introduction

Further to our submission of February 2000 on the same issue (Bills Committee reference CB(1)1010/99-00(01)) and as requested by the Bills Committee at its meeting on 21 February 2000, this note sets out the groundless threats provisions in the trade mark laws in five other common law jurisdictions and assesses the need for exemptions for legal practitioners.

“Groundless Threat” Provisions in Other Common Law Jurisdictions

2. The following provisions are set out in the Annexes -
 - (a) UK Trade Marks Act 1994, Section 21 ([Annex 1](#));
 - (b) Australia Trade Marks Act 1995, Sections 129 and 130 ([Annex 2](#));
 - (c) Ireland Trade Marks Act 1996, Section 24 ([Annex 3](#));
 - (d) Singapore Trade Marks Act 1998, Section 35 ([Annex 4](#)); and
 - (e) India Trade Marks Act 1999, Section 142 ([Annex 5](#)).

We have also extracted the relevant cases on groundless threats under these jurisdictions. We are not aware of any reported cases under the Singapore Trade Marks Act 1998. The India Trade Marks Act 1999 has yet to be brought into operation as at 1 April 2000.

3. The table at [Annex 6](#) compares the main elements in these

provisions.

Conclusion

4. The relief from groundless threats of infringement proceedings provided by Clause 24 of the Trade Marks Bill is an internationally accepted precaution against the abuse of intellectual property rights. Similar provisions are found in the Patents Ordinance and Registered Designs Ordinance, i.e. no exemption has been provided for legal practitioners. We are not aware of any problems that have arisen from the operation of these ordinances. The relevant reported cases also do not lead to such a direction. We therefore consider that the present wording of Clause 24 of the Trade Marks Bill to be appropriate.

Trade and Industry Bureau
April 2000

[d1\21\tmb-gt-relief2]

UK Trade Marks Act 1994

Section 21

Remedy for groundless threats of infringement proceedings

(1) Where a person threatens another with proceedings for infringement of a registered trade mark other than -

- (a) the application of the mark to goods or their packaging,
- (b) the importation of goods to which, or to the packaging of which, the mark has been applied, or
- (c) the supply of services under the mark,

any person aggrieved may bring proceedings for relief under this section.

(2) The relief which may be applied for is any of the following –

- (a) a declaration that the threats are unjustifiable,
- (b) an injunction against the continuance of the threats,
- (c) damages in respect of any loss he has sustained by the threats;

and the plaintiff is entitled to such relief unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned.

(3) If that is shown by the defendant, the plaintiff is nevertheless entitled to relief if he shows that the registration of the trade mark is invalid or liable to be revoked in a relevant respect.

(4) The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purposes of this section.

UK cases :

(a) *Trebor Bassett Ltd v The Football Association* [1997] FSR 211

The Plaintiff manufactured candy sticks whose packaging included collectable cards. These cards bore the photographs of famous footballers, including members of the English national team, wearing their team shirt. Displayed on the national strip of the England players was the team crest, the "three-lion" logo which was the subject of the Defendant's registered trade mark. Thus the Defendant's sign appeared on the cards as part of the team shirt worn by the player.

The Defendant alleged that such use of the "three-lion" logo amounted to infringement of its trade mark.

The Plaintiff brought a threats action and sought a declaration of non-infringement by way of an application for summary judgment.

The Defendant brought a cross-action for infringement which the Plaintiff applied to strike out as an abuse of process.

It was held that the reproduction of the players' photograph inevitably reproduced the Defendants' trade mark but such reproduction was not even arguably "using" the logo in any real sense of the word, and it was certainly not using it as a sign in respect of the cards.

The judge gave summary judgment for the Plaintiff in the threats action and struck out the Defendant's infringement action.

(b) *Antec International Ltd v South Western Chicks (Warren) Ltd* [1997] FSR 278

The Plaintiff manufactured disinfectant products for agriculture, and had the trade mark "Antec Farm Fluid" registered in the UK subject to a disclaimer of the words "farm fluid". The registration did not therefore confer on the Plaintiff the exclusive right to use the words "farm fluid". The Defendant began to sell farm disinfectant products under the name "SWC Super Farm Fluid".

The Plaintiff's patent and trademark agents wrote a letter before action to the Defendant which included a paragraph to the effect that the Plaintiff had had the trademark registered in the UK for many years and had used it for a long time; that they took the view that Super Farm Fluid was sufficiently close to their trade mark under current UK trade-mark legislation as to constitute a direct infringement of their registered trade-mark rights; and that they intended to enforce those rights without further delay unless the Defendant immediately rebrand its product.

The Plaintiff in that case applied for interlocutory injunction restraining the Defendant from passing off. At the hearing, counsel for the Plaintiff readily conceded that any assertion of registered trade-mark infringement was unarguable. Although unjustified threats under section 21 of the Trade Marks Act 1994 was not in issue in that case, Laddie J observed, that "it is not acceptable for those who have the status of expert professional men in the trade-mark field to use the weight of their professional qualifications to make clearly unsupportable allegations of trade-mark infringement against a trader."

(c) *Prince Plc v Prince Sports Group Inc* [1998] FSR 21

Plaintiff was a UK company providing services in connection with the computer industry under or by reference to the mark PRINCE.

The Defendant was an American corporation making tennis racquets, sports shoes and other sports equipment. It was the proprietor of various registrations of the trade mark PRINCE throughout the world, including the US and the UK.

The Plaintiff registered the Internet domain name "prince.com" with Network Solutions Inc. ("NSI"), a federally authorised domain name register operator in the US.

The Defendant's attorneys wrote a letter to the Plaintiff to the effect that:

(i) Their client is the owner of several US registrations for the PRINCE mark; has also registered the PRINCE mark in many countries including the

UK.

(ii) It has come to their client's attention that the Plaintiff had registered "PRINCE.COM" as a domain name with NSI thereby preventing their client from registering its house mark and trade name as a domain name.

(iii) The Plaintiff's use and registration of PRINCE as a domain name constitutes infringement and dilution of their client's trademark rights in PRINCE, as well as unfair competition, under the Lanham Act.

(iv) They must have the Plaintiff's immediate agreement to assign the PRINCE.COM domain name to their client to avoid litigation.

The Plaintiff brought an action for relief from groundless threats.

The Defendant had issued the above letter in order to invoke the NSI dispute resolution procedure. At trial, the Defendant had not sought to contend that the Plaintiff's use of the domain name "prince.com" breaches any of the Defendant's registered trade marks. The Judge stated that "prudence would suggest that the Defendant should first have checked with the Plaintiff as to the nature of the Plaintiff's business and its use of the mark before writing. If it was the Defendant's intention to restrict its complaint to breach of its U.S. trade mark rights, it would have been only too easy to say so."

It was held that, the test whether a particular communication constituted a **threat** was whether it would have been read by the ordinary reader, in the position of the Plaintiff, as constituting a threat by the Defendant of proceedings for infringement of a UK registered trade mark. It was concluded that the Defendant's letter would be so understood.

The Defendant argued that the threat was limited to services, i.e. it falls within the **exception** in Section 21(1)(c), because the provisions of services was the only activity in which the Plaintiff was engaged. It was decided that one has to ask whether, as a matter of language, the threat is confined to the supply of services under the mark. In this case, the threat was perfectly general in its nature. There was no basis for saying that it fell within section 21(1)(c).

The Judge stated that "the section [i.e. section 21] is concerned to ensure that threats of infringement proceedings are not made casually or recklessly, because of the potential damage and concern they can cause. Anyone who wishes to write a letter raising the possibility of infringement proceedings is, therefore, required to consider with care whether he has a case, and, if he is to communicate with another, to take care in expressing himself."

On the issue of whether or not the Plaintiff was a '**person aggrieved**', it was held that this is "in the main a question of fact to be established by evidence. If the threat is not made to the person himself, then he must establish by evidence that the threats have or are likely to cause him damage which is not minimal.... the inclusion of 'person aggrieved' in the [relevant] section is to exclude frivolous applications or applications by busybodies who have no real personal interest in the threats... For the purpose of demonstrating that he has status to sue, what [the plaintiff] has to do is show that his commercial interests are or are likely to be adversely affected in a real as opposed to a fanciful or minimal way. Where the threats are made against him directly ... the court would infer such adverse effect. Where the threats are made indirectly, he will need to demonstrate it."

It was held that the Plaintiff was a person aggrieved. A declaration and an injunction was granted in its favour.

(d) *Scandecor Development AB v Scandecor Marketing AB and another* (UK Court of Appeal) [1999] FSR 26

The Plaintiff was the registered proprietor of the subject marks. The Defendants used to be distributors of the Plaintiff's predecessor-in-title. When the Plaintiff took over its predecessor-in-title, negotiations with the Defendants took place on distributorship, which later broke down. As a consequence, the Plaintiff demanded that the Defendants should cease using the subject marks. The Defendants claimed that they were entitled to, and continued to use the marks. The Plaintiff sued the Defendants for trade mark infringement and passing-off.

The Defendants argued that in the UK, the subject marks had come to represent products of the Defendants, not the Plaintiff. They counterclaimed for revocation of the marks, and passing-off by the Plaintiff and its UK

distributor.

It was found that the goodwill in the subject marks in the UK belong to the Defendants. The marks were not distinctive of the Plaintiff in the UK and the registrations of the marks were ordered to be revoked.

The Plaintiff's English lawyers had written a letter before action to the 2nd Defendant's lawyers threatening proceedings if use of the marks by the 2nd Defendant and its UK licensee were not brought to an end. The Plaintiff and its UK distributor had also told the Defendants' customers that by selling, after a certain date, goods which were not bought from the Plaintiff's UK distributor and to which the subject mark had been applied would be infringing the registered mark.

It was held that these threats were unjustified because the marks were not infringed by the Defendants. An inquiry in respect of the loss thereby suffered was ordered.

It is to be noted that there is no equivalent of Clause 24(6) in the Bill in the UK provision. In the present case, the Plaintiff (the threatener) did institute infringement proceedings. If those proceedings were instituted within 28 days and pursued with due diligence, under the proposed Clause 24 of the Bill, by virtue of Clause 24(6), no proceedings for relief from groundless threat may be brought.

Australia Trade Marks Act 1995

Sections 129 and 130

129 Groundless threats of legal proceedings

(1) If a person threatens to bring an action against another person (*threatened person*) on the ground that the threatened person has infringed:

(a) a registered trade mark; or

(b) a trade mark alleged by the person to be registered;

any person aggrieved by the threat (*plaintiff*) may bring an action (either in a prescribed court or in any other court having jurisdiction) against the person making the threat (*defendant*).

(2) The purpose of the action is to obtain from the court:

(a) a declaration that the defendant has no grounds for making the threat; and

(b) an injunction restraining the defendant from continuing to make the threat.

The plaintiff may also recover any damages that he or she has sustained because of the defendant's conduct.

(3) The action may be brought whether or not the defendant is the registered owner, or an authorised user, of the trade mark alleged to have been infringed.

(4) The court may not find in favour of the plaintiff if the defendant satisfies the court that:

(a) the trade mark is registered; and

(b) the acts of the threatened person in respect of which the defendant threatened to bring an action constitute an infringement of the trade mark.

(5) An action may not be brought, or (if brought) may not proceed, under this section if the registered owner of the trade mark, or an authorised user of the trade mark having power to bring an action for infringement of the trade mark, with due diligence, begins and

pursues an action against the threatened person for infringement of the trade mark.

- (6) This section does not make a lawyer, *registered trade marks attorney* or patent attorney liable to an action for an act done in a professional capacity on behalf of a client.

130 Counterclaim by defendant in action on groundless threats

If the defendant in an action brought under section 129 would be entitled to bring against the plaintiff an action for infringement of the registered trade mark (*infringement action*):

- (a) the defendant may file in the court a counterclaim against the plaintiff for any relief to which the defendant would be entitled in the infringement action; and
- (b) the provisions of this Act applicable to infringement actions apply in relation to the counterclaim as if it were an infringement action brought by the defendant against the plaintiff.

Australian case :

Transport Tyre v Montana [1999] FCA 329 (Federal Court of Australia)

Transport Tyre had been distributing in Australia tyres manufactured by Ohtsu of Japan.

Transport Tyre became concerned about parallel imports of Ohtsu products from outside Australia. In an attempt to curb this, Transport Tyre took an assignment from Ohtsu of three trade marks, and on 15 May 1997, requested the Registrar of Trade Marks in Australia to record the assignment.

Montana had been importing into Australia from Singapore tyres with the subject marks.

In June 1997, solicitors for Transport Tyre wrote to Montana stating that Transport Tyre was now recorded as owner of the trade marks. They sought from Montana an undertaking not to import or sell the relevant goods bearing any of the subject marks or a deceptively similar mark, or otherwise use any such mark.

Montana's solicitors wrote back and stated that those goods manufactured by Ohtsu and imported into Australia before 15 May 1997 were not infringing goods, being goods to which the subject marks were applied by the then registered proprietor of the marks at the time of importation. They further stated that any statements made by or on behalf of Transport Tyre to the contrary, to Montana or its dealers, would be treated as a groundless threat in breach of Section 129 of the Trade Marks Act.

Montana commenced proceedings contending that the entry of Transport Tyre as the owner of the subject marks by virtue of the assignment was wrongly made and liable to be removed.

Transport Tyre cross-claim for infringement of the subject marks by Montana.

It was held that the assignment was valid and effectual. There was, however, no infringement by Montana, since the marks were applied by Ohtsu, the then

registered proprietor, and then imported into Australia, prior to recordal of the assignment.

On the issue of groundless threats, it was held that Transport Tyre had with due diligence filed and pursued the cross-claim against Montana for infringement, and thus falls within Section 129(5) ("with due diligence begins and pursues action against threatened person"). Thus the claim for groundless threat was dismissed.

Ireland Trade Mark Act 1996
Section 24

Remedy for groundless threats of infringement proceedings

- (1) Where a person threatens another with proceedings for infringement of a registered trade mark other than in relation to –
- (a) the application of the mark to goods,
 - (b) the importation of goods to which the mark has been applied, or
 - (c) the supply of services under the mark,
- any person aggrieved may apply to the Court for relief under this section.
- (2) The relief which may be applied for as mentioned in *subsection (1)* is any of the following:
- (a) a declaration that the threats are unjustifiable;
 - (b) an injunction against the continuance of the threats;
 - (c) damages in respect of any loss sustained by the threats.
- (3) A plaintiff shall be entitled to such relief as is referred to in *subsection (2)* unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned.
- (4) Notwithstanding the provisions of *subsection (3)*, the plaintiff shall be entitled to such relief as is referred to in *subsection (2)* if the plaintiff shows that the registration of the trade mark is invalid or liable to be revoked in a relevant respect.
- (5) Notification that a trade mark is registered or that an application for registration has been made shall not of itself constitute a threat of proceedings for the purposes of this section.

Irish case :

Symonds Cider & English Wine Company Ltd v Showerings (Ireland) Ltd
1996 No. 6155P (Transcript) (10 Jan 1997)

The Plaintiff was the registered proprietor of various "Scrumpy Jack" marks in Ireland in respect of cider.

The Defendant developed a brand of cider called "Annerville Golden Scrumpy".

The Plaintiff took out trade mark infringement and passing-off action against the Defendant, and sought interlocutory injunction restraining the Defendant from selling, offering for sale etc. cider under the mark "Golden Scrumpy" or any other mark confusingly similar to "Scrumpy Jack".

The Defendant sought interlocutory relief under Section 24 (groundless threats provision).

The judge refused to grant the Plaintiff the interlocutory injunction sought. On the issue of groundless threat, he stated that:

"The jurisdiction conferred by Section 24 relates to threat of proceedings. When, as happened here, a threat of proceedings burgeons into an action in this Court against the party threatened, in my view, it is not open to the party against whom the action has been taken to retaliate by invoking Section 24."

Singapore Trade Marks Act 1998
Section 35

Remedy for groundless threats of infringement proceedings

(1) Where a person threatens another with proceedings for infringement of a registered trade mark other than –

- (a) the application of the mark to goods or to material used or intended to be used for labelling or packaging goods;
- (b) the importation of goods to which, or to the packaging of which, the mark has been applied; or
- (c) the supply of services under the mark,

any aggrieved person may bring proceedings for relief under this section.

(2) The relief which may be applied for is any of the following:

- (a) a declaration that the threats are unjustifiable;
- (b) an injunction against the continuance of the threats;
- (c) damages in respect of any loss he has sustained by the threats,

and the plaintiff is entitled to such relief unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned.

(3) If the defendant showed that the acts in respect of which proceedings were threatened constitute (or if done would constitute) an infringement of the registered trade mark concerned, the plaintiff is nevertheless entitled to relief if he shows that the registration of the trade mark is invalid or liable to be revoked in a relevant respect.

(4) The mere notification that a trade mark is registered, or that application for registration has been made, does not constitute threat of proceedings for the purposes of this section.

India Trade Marks Act 1999

Section 142

Groundless threats of legal proceedings

(1) Where a person, by means of circulars, advertisements or otherwise, threatens a person with an action or proceeding for infringement of a trade mark which is registered, or alleged by the first-mentioned person to be registered, or with some other like proceeding, a person aggrieved may, whether the person making the threats is or is not the registered proprietor or the registered user of the trade mark, bring a suit against the first-mentioned person and may obtain a declaration to the effect that the threats are unjustifiable, and an injunction against the continuance of the threats and may recover such damages (if any) as he has sustained, unless the first-mentioned person satisfies the court that the trade mark is registered and that the acts in respect of which the proceedings were threatened, constitute, or, if done, would constitute, an infringement of the trade mark.

(2) The last preceding sub-section does not apply if the registered proprietor of the trade mark, or a registered user acting in pursuance of sub-section (1) of section 52 with due diligence commences and prosecutes an action against the person threatened for infringement of the trade mark.

(3) Nothing in this section shall render a legal practitioner or a registered trade marks agent liable to an acting under this section in respect of an act done by him in his professional capacity on behalf of a client.

(4) A suit under sub-section (1) shall not be instituted in any court inferior to a District Court.

Annex 6

Comparison of Groundless Threats Provisions

	HK TM Bill	UK TM Act 1994	Aust. TM Act 1995	Ireland TM Act 1996	S'pore TM Act 1998	India TM Act 1999
Who may sue	person aggrieved (cl. 24(1))	person aggrieved (s. 21(1))	person aggrieved (s. 129(1))	person aggrieved (s.24(1))	person aggrieved (s.35(1))	person aggrieved (s.142(1))
Who may be sued	Person who threatens to bring action against another person for infringement of a registered trade mark (cl. 24(1))	Person who threatens another with proceedings for infringement of a registered trade mark (s.21(1))	Person who threatens to bring an action against another person for infringement of a registered or allegedly registered trade mark (s.129(1))	Person who threatens another with proceedings for infringement of a registered trade mark (s.24(1))	Person who threatens another with proceedings for infringement of a registered trade mark (s.35(1))	Person who threatens another person with action or proceeding for infringement of a trade mark which is registered or allegedly registered (s.142(1))

	HK TM Bill	UK TM Act 1994	Aust. TM Act 1995	Ireland TM Act 1996	S'pore TM Act 1998	India TM Act 1999
Exemptions	Alleged infringing use is - (a) application of trade mark to goods or their packaging; or (b) supply of services under the trade mark (cl.24(1))	Alleged infringing use is - (a) application of mark to goods or their packaging; (b) importation of goods to which, or to the packaging of which, the mark has been applied, or (c) supply of services under the mark (s.21(1))	-	Alleged infringing use is - (a) application of mark to goods; (b) importation of goods to which the mark has been applied, or (c) supply of services under the mark (s.24(1))	Alleged infringing use is - (a) application of mark to goods or to material used or intended to be used for labelling or packaging goods; or (b) importation of goods to which, or to packaging of which, the mark has been applied; or (c) supply of services under the mark (s.35(1))	-

	HK TM Bill	UK TM Act 1994	Aust. TM Act 1995	Ireland TM Act 1996	S'pore TM Act 1998	India TM Act 1999
Relief	(a)declaration (b) injunction (c)damages (cl. 24(2))	(a)declaration (b) injunction (c)damages (s.21(2))	(a)declaration (b) injunction (c)damages (s.129(2))	(a)declaration (b) injunction (c)damages (s.24(2))	(a)declaration (b) injunction (c) damages (s.35(2))	(a)declaration (b) injunction (c)damages (s.142(1))
Defense that threat not groundless	Acts constitute, or, if done, would constitute, an infringement of registered trade mark (cl.24(3)) (unless trade mark registration invalid or liable to be revoked in a relevant respect-cl.24(4)).	Acts constitute (or if done would constitute) an infringement of registered trade mark (s.21(2)) (unless trade mark registration invalid or liable to be revoked in a relevant respect - s.21(3)).	Acts of threatened person constitute infringement of registered trade mark (s.129(4))	Acts constitute (or if done would constitute) an infringement of registered trade mark (s.24(3)) (unless trade mark registration invalid or liable to be revoked in a relevant respect - s.24(4)).	Acts constitute (or if done would constitute) an infringement of registered trade mark (s.35(2)) (unless trade mark registration invalid or liable to be revoked in a relevant respect - s.35(3)).	Acts constitute, or, if done, would constitute, an infringement of registered trade mark

	HK TM Bill	UK TM Act 1994	Aust. TM Act 1995	Ireland TM Act 1996	S'pore TM Act 1998	India TM Act 1999
Mere notification not threat	cl.24(5)	s.21(4)	-	s.24(5)	s.35(4)	-
No relief if threat followed by infringement proceedings	(a) infringement action within 28 days (b) pursues action with due diligence (cl.24(6))	-	with due diligence begins and pursues action against threatened person for infringement (s.129(5))	-	-	with due diligence commences and prosecutes infringement action against threatened person (s.142(2))
Lawyers/agents exception	-	-	Lawyer, <i>registered trade marks attorney</i> or patent attorney - act done in professional capacity on behalf of a client (s.129(6))	-	-	legal practitioner or registered trade marks agent - act done in professional capacity on behalf of a client (s.142(3))