

The risk of threatening a competitor with a UK patent infringement action

Threatening to sue for patent infringement in the UK courts can result in significant financial liability for the person making the threat if the patent is found to be invalid and the threat therefore unjustified, as illustrated recently by the UK Court of Appeal in *Sudarshan v Clariant*.

Threats in the UK

Any person aggrieved by a threat of patent infringement can ask the UK courts for an injunction to stop the threats, a declaration that the threats are unjustifiable and/or damages. These remedies can be awarded only if the patent is invalid in respect of the infringement (otherwise the threat is deemed to be justified). However, if the person making the threat did not suspect that the patent was invalid when making the threat they can plead ignorance, which may provide a defence against the threats action. In addition, no remedies are available to the extent that a manufacturer or importer of a patented product (or a user of a patented process) is threatened, as the UK threats provisions are largely designed to protect retailers.

Recently, in *Sudarshan v Clariant*, the Court of Appeal confirmed that a broad interpretation should be given when deciding what constitutes an

“actionable” threat for which relief is available. Further, the court confirmed that a defence of ignorance may be relied upon to avoid liability for unjustified threats only if the party making the threats (including the inventor(s) and the patent attorney(s) responsible) had no reason to suspect that the patent was invalid.

Sudarshan v Clariant

Clariant’s patent (the “338” patent) related to a pigment. A patent attorney at Clariant sent a letter to Sudarshan, a rival company, asserting that the importation and sale of Sudarshan’s competing pigment amounted to an infringement of the 338 patent. The letter included a warning that patent infringement might “involve the most serious penalties to the infringer and his customers”. As a result of this letter, Sudarshan immediately ceased sales in territories where Clariant had patent protection.

Sudarshan issued proceedings against Clariant seeking to have Clariant’s UK patent revoked and also seeking damages in view of the “unjustified threats” made by Clariant’s patent attorney.

The Court of Appeal held that Clariant’s 338 patent was invalid in view of Clariant’s earlier patent, and so the threat of proceedings for patent infringement was not justified. The court then moved on to consider whether Sudarshan was entitled to receive compensation for any damage resulting from the threat made by Clariant.

Threats

Because Sudarshan was the manufacturer of the patented product, the threat to sue Sudarshan was not “actionable” under UK law. However, the court considered whether Clariant’s letter constituted an “actionable” threat to sue Sudarshan’s customers, rather than Sudarshan itself. Although Clariant



had not communicated with Sudarshan's customers directly, the court held that the letter to Sudarshan still amounted to a threat to its customers because the threat made in the letter extended to Sudarshan's customers. In coming to its decision, the court clearly stated that the person who has been threatened is not limited to the person the threat has been communicated to, following earlier UK decisions on this point.

Clairant further attempted to avoid liability for damages based on pleading ignorance by arguing that its patent attorney had no reason to suspect that the patent was invalid when writing to Sudarshan. However, the court dismissed this argument because the inventor of the 338 patent should have known that the patent was invalid, and therefore Clairant should have known not to rely on the patent's validity. The court discussed which employees should be consulted when deciding whether a company had reason to believe its patent was invalid and held that the relevant employees include at least the inventors and patent attorneys involved.

Summary

This decision reaffirms the need for care when seeking to enforce patent rights in the UK. Patent holders need to exercise particular caution when corresponding with potential infringers if they want to avoid being caught by the UK threats provisions. A party

that has suffered reduced sales or lost business due to an unjustified threat of infringement proceedings may be able to seek financial relief even where they themselves are manufacturers or importers provided there is some reason that the threat also applied to their customers. When attacking or defending a UK patent, the threats provisions can have a direct financial effect and so UK litigation strategies should be formulated with these provisions in mind.

Authors: Paul Howard & [Christopher Hoggett](#)

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This briefing note was first published in the IAM IP Newsletter.