

Summary Report

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2024 – Study Question

Unjustified allegations of infringement of IP rights

Introduction

This Study Question focuses on examining: (i) what kind of activities (if any), and by whom, should be deemed as unjustified allegations of IP infringement that exceed the boundaries of legitimate exercise of IP rights; and (ii) what should be the consequences of making such unjustified allegations of IP infringement. In this Study Question references to "unjustified allegations of IP infringement" refer to infringement allegations that are, or may reasonably be considered to be, unjustified in the sense that they are based on an allegation which ultimately proves to have been incorrect (and in hindsight was not justified), or are in any other way abusive of the IP system.

The issue has emerged more prominently in recent years given the wide proliferation of online marketplaces and platforms, and the frequent use of takedown mechanisms which are based on an allegation of IP infringement – although the allegation is not made to a Court but is instead made to the platform and in response the platform may take down the products alleged to infringe. If platforms do not exercise a degree of control over takedowns (or even if platforms do exercise some control over takedowns), the abundant use of takedowns may result in abuses of the takedown system where the allegation of infringement may be considered abusive or otherwise very weak.

The issue may also arise in the context of litigation, e.g. if it is alleged that a claim of infringement is an abuse of process or should otherwise be barred. However, It is not intended to address, in this Study Question, the interaction of competition or anti-trust law with allegations of infringement and whether the exercise of an IP right could be barred due to its exercise being anti-competitive. In addition to issues of competition law, also issues of general good business practices, marketing law, and compulsory licensing are excluded from the scope of this Study Question together with questions relating to abuse of the IP registration



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system itself (such as potentially abusive utility model and trade mark registrations as well as repetitive divisional patent applications) unless expressly stated otherwise.

The Reporter General has received Reports from the following Groups and Independent Members in alphabetical order: Argentina, Australia, Belgium, Brazil, Bulgaria, Canada, Chile, Denmark, Ecuador, Finland, France, Germany, Hong Kong (Independent Member), Hungary, Italy, Japan, Malaysia, Mexico, the Netherlands, Paraguay, Peru, the Philippines, Portugal, the Russian Federation, Singapore, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Kingdom (UK), the United States of America (USA), and Vietnam.

35 Reports were received in total. The Reporter General Team thanks the Groups and Independent Members for their helpful and informative Reports. All Reports may be in AIPPI's library at www.aippi.org.

The Reports provide a comprehensive overview of national and regional laws, practices, and policies relating to unjustified allegations of IP infringement set out in three parts:

- Part I – Current law and practice
- Part II – Policy considerations and proposals for improvements of your Group's current law
- Part III – Proposals for harmonisation.

This Summary Report does not summarise Part I of the Reports received. Part I of any Report is the definitive source for an accurate description of the current state of the law in the jurisdiction in question.

This Summary Report has been prepared on the basis of a detailed review of all Reports (including Part I) but focuses on Parts II and III, given AIPPI's objective of proposing improvements to, and promoting the harmonisation of, existing laws. As it is a summary, if any question arises as to the exact position of a particular Group in relation to Parts II or III, please refer to the relevant Report directly.

In this Summary Report:

- references to Reports of or responses by one or more "Groups" may include references to Independent Members;
- where percentages of responses are given, they are rounded to the nearest 5%; and
- in Part IV below, some conclusions have been drawn in order to provide guidance to the Study Committee for this Study Question.

I. Current law and practice

For the replies to Questions 1) to 5) set out in the Study Guidelines for this Study

Question, reference is made to the full Reports. The Study Guidelines may be accessed in AIPPI's library at www.aippi.org.

II. Policy considerations and proposals for improvements of your Group's current law

6) According to the opinion of your Group, is your current law regarding the boundaries for the legitimate exercise of an IP right holder's rights adequate and/or sufficient? Please answer YES or NO and please explain your chosen view briefly.

21 of the responding Groups (60%) stated YES, while 14 Groups (40%) stated NO.

A majority of the Groups found their current laws adequate and/or sufficient, while a strong minority also found development needs.

Groups finding their current law adequate include, e.g., jurisdictions in which there already are specific legislation addressing the boundaries for the legitimate exercise of an IP holder's rights (such as Australia). Nonetheless, some improvement needs are also identified such as express safe harbour provisions as to what can be said that falls short of a threat.

Many of the Groups calling for further development noted that while there may be mechanisms in the current legal system to address questions on the legitimate boundaries of infringement of IP rights, it would be more appropriate to define more detailed criteria for (un)justified IP allegations from within the IP system itself as the current provisions are often deemed too general for specific application in the field of IP (cf., the Chinese Taipei, and Latvian Groups).

The Dutch Group notes that the development needs in particular circle around improving the position of the party who receives an unjustified allegation of an infringement: Such party will need to incur costs for legal representation to find out that the allegation of infringement was unjustified in the first place and, if the right holder does not proceed with an action enabling counterclaim, the accused party has in practice little incentive to initiate a civil action on its own if the costs of the civil action do not outweigh the damages that could be recuperated.

7) According to the opinion of your Group, what is the policy rationale for restricting the making of unjustified allegations of infringement of IP rights?

There is a broad consensus among the Groups that the main policy rationale for restricting the making of unjustified allegations of infringement of IP rights would be the protection of fair competition and promoting confidence in the IP framework.

Some Groups (e.g., the Türkiye Group) highlight the importance of preventing abuse of fundamental rights, e.g., right to have legal remedies, and maintaining the principle of good faith. On the other hand, the hindrances caused by unjustified allegations in undermining credibility of legitimate claims and in burdening the court system are also acknowledged (e.g., by the Brazilian Group), while the costs associated with misuse of the judicial system also do not go unnoticed (e.g., by the Swedish Group). The unnecessary litigation costs are also a concern (e.g., as noted by the Latvian Group).

The Brazilian Group also highlights the importance of accountability and responsibility in the business community.

The Danish Group points out that the policy rationale for restricting the making of unjustified allegations of infringement of IP rights is ensuring the effective and fair competition in the market: An IP right holder should not enforce or threaten to enforce the IP right in question with the purpose of broadening the scope of protection beyond its limits. In the same vein, the Dutch Group further notes that in more specific such rationale around preventing unfair competition would entail more specifically preventing unfair trading practices as well as abuse of right holder's dominant position.

There are also voices raising concerns about the evenness of the level of the playing field between small and large companies. E.g., the Swedish Group emphasizes that smaller businesses may have difficulties defending themselves against such allegations, which can lead to costly litigations or even loss of business as a threat expressed in a notification or cease and desist letter may convince the business to cease operations.

The more practical level policy consideration is laid out by the Australian Group noting the policy rationale would be to prevent the making of idle threats to commence infringement proceedings and to provide a mechanism for recipients to seek declarations and injunctions against unjustified threats being made.

However, it is also noted by the German Group that the system should be balanced so that the consequences are not so serious that an IP holder would no longer dare to make an allegation.

8) Is there a policy conflict between such restrictions and the availability of effective methods of enforcing IP rights, including without the need to resort to costly litigation by issuing cease and desist letters and if so how is such a conflict resolved?

13 of the responding Groups (40%) stated YES, while 22 Groups (60%) stated NO.

E.g., the Chinese Taipei Group notes that while the IP rights holder is entitled to enforce their IP rights and the freedom to choose the effective approach, they also have the obligation to ensure that their actions do not unduly harm other parties' interests.

The Dutch Group notes that a right holder is unlikely to be restricted in enforcing their IP rights as long as a sufficient assessment has been undertaken, before an enforcement action is initiated, of whether there is a serious, non-negligible chance that the threat is meritless. The Dutch Group further emphasizes that liability for meritless threats should be expected to lead to claims that have been better researched and substantiated in a proper manner to limit the liability risk as much as possible – which in turn should result in less ill-founded and frivolous claims.

On the other hand, some Groups (such as the Latvian Group) note that restricting IP right holder's rights may be detrimental to some extent to the effectiveness of the legal tools and remedies provided for the protection of IP rights.

9) Is it better, from a policy perspective, to judge whether an allegation was unjustified based on (a) an objective hindsight-based view on whether the IP right in question was valid and being infringed at the time notifications were made, or (b) the reasonable subjective belief of the IP right holder.

18 of the responding Groups (50%) stated (a) and 16 Groups (45%) stated (b), while one (1) Group refrained from answering. Overall, irrespective of the selection of the answer (a) or (b), there seems to be solid support across the Groups for combining elements of assessment based on reasonable subjective belief and on an objective hindsight-based view.

Those in favour of an objective hindsight-based view highlighted the difficulty in proving subjective beliefs (e.g., the Australian and the German Groups) and consider that such an approach would provide a more impartial and consistent evaluation (e.g., the Brazilian Group). However, it was at the same time noted that subjective view may be relevant in relation to the assessment of additional damages (Australian Group).

On the other hand, Groups supporting the reasonable subjective belief of the IP right holder as the standard for determining the justifiability of the allegation note, e.g., that the objective hindsight view may restrict IP right holders unnecessarily, punish the IP right holders for mistakes, and expose them to substantial degree of liability even in cases which seemed strong when making the allegation. Moreover, some of these Groups, e.g., the Spanish Group, note that if the objective criteria was the test, then any allegation for which the IP right would eventually be considered invalid or not infringed would also be unjustified.

Furthermore, speaking in favor of the reasonable subjective belief as the standard, the Dutch Group notes that the existence or scope of an IP right is not always clear cut (even if it concerns registered rights) and may be assessed differently by different people (judges even), as evidenced by the substantial amount of case

law where an infringement was assessed differently in appeal compared to the first instance. The Dutch Group considers that objective circumstances may, however, play a role in assessing the subjective belief of the right holder (e.g., whether essential information was withheld or misleading information presented, a court or other authority considered the right to be (in)valid, or whether the right was subjected to validity examination prior to registration), while some other Groups note that "the reasonable subjective belief" of the IP right holder should nonetheless be supported by reasonable evidence.

Supplementing the notions of the Dutch Group laid out above, the French Group also considers that not all unfounded allegations (including legal actions) should be punished but only faulty allegations (i.e. dilatory, abusive or constituting unfair competition) should be sanctioned: IP right holders may be mistaken about the validity and scope of their rights, or about the existence of an infringement, and should not be punished simply because they have made an allegation of infringement, or even taken legal action. Further, the French Group considers that certain allegations (including legal action), whether well-founded or unfounded, may have to be punished when they are instrumentalized and made or conducted in a wrongful manner, i.e. with the aim of gaining an unjustified competitive advantage or causing harm to the defendant (irrespective of the aim of stopping and punishing the infringement of the intellectual property right).

However, the French Group further notes that objective criteria can be used to assess whether an allegation has been made in a wrongful manner, for example when allegations are made publicly or against persons other than the direct infringer (e.g. letters to distributors or resellers), or excessive and non-objective publicity is given to ongoing legal proceedings.

The Thai Group considers that both perspectives should be applied depending on the circumstances and draws a distinction between different types of rights: the Thai Group notes that, for copyrights and patents, in order for a claim of infringement to be supported, it must be shown that the IP right was used in a way that infringes on the IP right holder's exclusive rights. The Thai Group further believes that the validity of the allegation is ultimately determined by an objective assessment of whether the alleged infringement constitutes a violation of IP law, although the subjective belief of the IP rights holder may be taken into account in some circumstances, particularly with regard to the filing of a lawsuit. However, on the other hand, the Thai Group considers that for trade marks only an objective hindsight-based view should be applied and the reasonable subjective belief of the IP right holder should not be considered whether an allegation was unjustified or not as having genuine beliefs that their trade mark rights are being infringed is the basic necessity of protecting such rights.

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10) **Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?**

A number of Groups highlighted additional improvement areas. By way of examples:

The Danish Group considers that the alleged infringer could have access to the same remedies as the IP right holders (i.e. the remedies in the EU Enforcement Directive) and in particular the right to claim adequate legal costs.

The Singaporean Group notes that it would be desirable to clarify the scope of what amounts to a “threat”, as the distinction between a mere notification of IP rights and a threat of formal proceedings may not be clear in practice. The Singaporean Group considers that such amendment would allow parties to better communicate with one another without fear of incurring liability for groundless threats, thereby encouraging the amicable settlement of disputes.

The Mexican Group would like to, e.g., impose enhanced due diligence requirements which would entail implementing stricter due diligence requirements for IP right holders before initiating enforcement actions; this could include, e.g., obligations to conduct thorough investigations to ensure the validity of their claims and to explore alternative dispute resolution mechanisms before resorting to formal legal proceedings.

III. Proposals for harmonisation

11) **Do you consider harmonisation regarding unjustified allegations of IP infringement and their consequences as desirable in general? Please answer YES or NO and add a brief explanation.**

23 of the responding Groups (65%) stated YES, while 12 Groups (35%) stated NO.

Proponents of harmonization emphasize the benefits of consistency and predictability in assessing such claims which reduces uncertainty as well as costs for those using the IP system. Also, the cross-border nature of infringement and the cross-border reach of allegations was highlighted as a factor promoting harmonization in this field.

Those against harmonization refer *inter alia* to reasons pertaining to their local legal systems and cultural traditions.

If your answer to question 11) was YES, please respond to the following questions without regard to your Group's current law or practice.

Even if you answered NO to question 11), please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

12) In what kind of circumstances should an allegation of IP infringement be considered as “unjustified” so as to be considered abusive? Please add a brief explanation.

Majority of the Groups refer to allegations which are made without a reasonable basis and/or to allegations which are made with malicious intent (bad faith) as allegations of IP infringement that should be considered as unjustified so as to be abusive. By way of examples:

As the Argentinian Group notes a nuanced and fact-sensitive approach to determining whether an allegation was unjustified would be the appropriate approach. An allegation of infringement may not be deemed unjustified even if it is later proven that the infringement claim was unsuccessful.

The Australian Group notes that an allegation should be considered as unjustified where the allegation is accompanied by an express or implied threat of legal proceedings and that allegation cannot be proved.

The Brazilian Group considers that where an allegation lacks solid legal foundation, it is made in bad faith suppress competition or to intimidate, where legal exceptions or permissible uses are overlooked, where substantial evidence of infringement is absent, and where harassment or intimation occurs through baseless legal manoeuvres.

The Thai Group considers that an allegation should be considered as unjustified, for example when the accusing party cannot back up their allegation of infringement with enough proof or a solid factual foundation, when there is intentional misrepresentation (e.g., allegations made with the purpose of misleading or deceiving, such as when someone fabricates evidence or falsely charges someone else with infringement, or in the event of harassment or intimidation (e.g., when an aggressive or persistent allegation is made with the goal of intimidating or harassing the person who is being accused, as opposed to settling the disagreement in a sincere manner).

It is also suggested by some team that also in the following circumstances an allegation of IP infringement should be considered as unjustified: (i) when owners of dissimilar marks enforce their rights against marks in the use of non-competitive goods; (ii) when cease and desist letters are sent to resellers of a competitor's product that is dissimilar with the trade mark and litigation is not pursued directly against the owner; (iii) when the trade mark owner is not economically affected by the actions of the competition; (iv) when the trade mark owner does not respect the principle of trade mark exhaustion

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13) **As continuation to question 12) above, in more specific, should any of the following be categorically considered as unjustified (abusive) allegations:**

- a. **Making an allegation of infringement which later is proved incorrect, e.g. because a court determines that the IP right in question was not infringed or was invalid, regardless of the knowledge of the parties?**

7 of the responding Groups (20%) stated YES, while 28 Groups (80%) stated NO.

The vast majority of the Groups finds that making an allegation of infringement which is later proved incorrect, should not be categorically considered as an unjustified allegation. This view is supplemented by some of the Groups with the notion that the success of a claim should not be the sole criterion in assessing the justifiability of an allegation.

Groups supporting that such allegations should be found unjustified consider that the approach should be objective and avoid inquiries into the mind of the person making the allegation.

The Belgian Group notes that IP right holders should always act as a generally prudent and diligent person by taking into account all relevant circumstances regarding in particular the strength of the right at stake, the extent of the allegation and requirements made, the possible ongoing court proceedings, etc. When it is established that this is not the case, their allegations should then be qualified as unjustified.

- b. **Making an allegation of infringement while having actual knowledge of validity destroying circumstances? Please answer YES or NO and add a brief explanation.**

30 of the responding Groups (85%) stated YES, while 5 Groups (15%) stated NO.

A vast majority of the Groups find that making an allegation of infringement while having actual knowledge of validity destroying circumstances should be categorically considered an unjustified allegation. The main reasoning among these Groups is that such an allegation is considered bad faith and dishonest and therefore also unjustified.

- c. **Making an allegation of infringement while the person making the allegation should have known (constructive knowledge) of validity-destroying circumstances? Please answer YES or NO and add a brief**

explanation.

15 of the responding Groups (40%) stated YES, while 20 Groups (60%) stated NO.

There is solid support among the Groups that an allegation of infringement should be categorically considered unjustified when the person making the allegation had or should have had knowledge of validity destroying circumstances. However, within both respondent groups many Groups emphasize the role of the case specific circumstances.

- d. Are there other situations in which alleging IP infringement when having concerns about the validity of the IP right in question should be considered unjustified so as to be abusive? Please answer YES or NO and add a brief explanation.**

9 of the responding Groups (25%) stated YES, while 26 Groups (75%) stated NO.

The US Group finds in favour of case-by-case assessments and notes that such assessment would likely be a fact-dependent issue that would need to be examined in totality. The US Group further notes that this is specifically true with regards to copyright for which the validity or ownership is not always clear due to the long term of copyright, combined with factors such as complex rights transfers, incomplete documentation, disputed authorship, and lack of complete or unambiguous historical records. and for which validity may require an assessment of compliance with various formalities (such as registration and printing copyright notices).

The Brazilian Group calls for more thorough pre-examination by the right holder before enforcement by noting the criticality of evaluating whether any legal exceptions or permissible uses apply.

The Chinese Taipei Group suggests that when an IP right that was not previously examined before grant is exercised, absent a validity report attached to the allegation letter, an assertion of such unexamined IP right should be more likely considered unjustified.

- e. Making an allegation of infringement before the IP right has been granted? Please answer YES or NO and add a brief explanation.**

13 of the responding Groups (40%) stated YES, while 22 Groups (60%) stated NO.

Many of the Groups answering in the negative noted that such a principle would be against the provisional protection afforded to patent applications. However,

these Groups also noting that the same principle would not apply to all IP in a similar manner due to differences in pre-grant rights.

However, many Groups also emphasize that an allegation concerning an ungranted right should be considered unjustified if the allegation asserts the IP as granted. With this line of argument some Groups (such as the Hungarian Group) also suggest that any pre-grant communications should clearly set out that the IP in question is in application phase and that the relevant authorities may still reject the application.

f. Making an allegation of infringement while having actual knowledge of circumstances leading to non-infringement? Please answer YES or NO and add a brief explanation.

31 of the responding Groups (90%) stated YES, while 4 Groups (10%) stated NO.

The vast majority of the Groups find that making an allegation of infringement while having actual knowledge of circumstances leading to non-infringement should categorically be considered an unjustified allegation. The main reasoning among these Groups is that such an allegation is considered bad faith, dishonest, and abuse of the system and, therefore, unjustified.

It is also pointed out by some Groups (such as the Australian Group) that such threats would also raise issues from a professional conduct perspective.

g. Making an allegation of infringement when one knew or should have known (actual or constructive knowledge) that the likelihood of the infringement claim succeeding is low? Please answer YES or NO and add a brief explanation.

3 of the responding Groups (10%) stated YES and 31 Groups (90%) stated NO, while one (1) Group refrained from answering.

A vast majority of the Groups find that making an allegation of infringement while having actual or constructive knowledge of circumstances leading to non-infringement should not categorically be considered unjustified allegations. The reasoning apparent from the responses of many of these Groups is that the mere fact that the prospects of an infringement claim succeeding would be low should not lead to a situation where the allegations would be deemed as unjustified and the right holder acting in good faith discouraged from enforcing their rights.

h. Making an allegation of infringement in public or commencing formal proceedings (e.g., seeking injunctions) when settlement negotiations or other resolution processes (e.g., license fee determinations) are ongoing? Please answer YES or NO and add a brief explanation.

10 of the responding Groups (30%) stated YES, while 25 Groups (70%) stated NO.

The vast majority of the Groups find that settlement negotiations or other resolution processes should not categorically preclude a party making an allegation of infringement in public (or commencing formal proceedings). The basic reasoning by the Groups supporting the majority view is that such a categorical limitation would limit the right to enforce. As an example, the Spanish Group notes that determination of lawfulness or unlawfulness in such circumstances in which there are on-going negotiations cannot be made generally in the abstract but that it is necessary to look at the circumstances of the case (e.g., duration of negotiations, actions of the two parties, possible information obtained by the right holder during the negotiations, etc.), and that there should not be in principle a problem if there is a justification, however minimal, for breaking off negotiations.

Moreover, some Groups, such as the Australian Group, note that cost regimes may also be considered to provide sufficient deterrence against commencing futile litigations.

- i. Are there other specific scenarios or circumstances that in your Group's view should categorically result in an allegation of infringement being considered unjustified? Please answer YES or NO and add a brief explanation.**

17 of the responding Groups (50%) stated YES and 17 Groups (50%) stated NO, while one (1) Group refrained from answering.

Many Groups refer generally to frivolous or abusive actions as such that should categorically result in an allegation of infringement to be considered unjustified. Further, as examples:

The French Group considers that misleading or tendentious communication (in particular, not solely factual and neutral) about an ongoing procedure, and erroneous communication of a court decision could lead to the categorical sanctioning of an unjustified allegation.

The Türkiye Group considers that making repetitive, identical and abusive infringement allegations systematically regarding the same subject, dispute, or case may be considered unjustified.

The Thai Group notes that allegations of infringement should be considered unjustified if they are made in bad faith, such as for the purpose of harassment, intimidation, or unfair competition. Additionally, the Thai Group finds that unfounded allegations made with malicious intent or with the knowledge that they lack merit should also be categorically deemed unjustified.

The Mexican Group points out that in the trade mark field, filing unjustified or unneeded application simply for the sake of prolonging a case and forcing one of the

parties into a settlement should be considered an abuse of the system and be banned.

The Swedish Group finds that in cases where the IP right holder makes allegations against third-party manufacturers or customers instead of acting against the third party directly liable for the allegedly infringing product, such measures could be circumstances that talk in favour of the allegation of IP infringement being unjustified.

- 14) Should the (a) motivation or (b) knowledge of the alleging party play a role in assessing whether an allegation is unjustified so as to be considered abusive? Please answer YES or NO and add a brief explanation.**

2 of the responding Groups (6%) considered that motivation, 3 of the responding Groups (9%) considered that knowledge, 25 of the responding Groups (83%) considered that both motivation and knowledge, and 5 of the responding Groups (14%) considered that neither motivation nor knowledge should be considered to play a role in assessing whether an allegation is unjustified so as to be considered abusive. Thus, a vast majority of the Groups considers that both motivation and knowledge should be considered.

- 15) What kind of communications should be considered as allegations of IP infringement:**

- a. Should only proceedings formally commenced before a court or other authority be considered as allegations of infringement? Please answer YES or NO and add a brief explanation.**

2 of the responding Groups (10%) stated YES, while 33 Groups (90%) stated NO.

The vast majority of the Groups find that allegations of infringement should not be limited to proceedings formally commenced but be considered broadly to cover different kinds of communications that constitute a threat. As the Vietnamese Group notes, in addition to proceedings formally commenced before a Court or other authority, allegations of infringement should cover broadly communications between the parties, such as delivering a warning letters, takedown requests, and public announcements in the media.

- b. If you answered NO to (a) above:**

- i. Apart from formal proceedings, should only communications with an express threat of formal proceedings be considered as allegations of infringement? Please answer YES or NO and add a brief explanation.**

2 of the responding Groups (10%) stated YES, while 33 Groups (90%) stated NO.

A vast majority of the Groups considers that allegations of infringement should not

be limited to express threats but should be considered to cover communications broadly. As noted, e.g., by the Belgian Group and the Bulgarian Group, even if IP right holders do not expressly threaten legal action, their communication can still contain claims that their rights have been infringed and thereby influence the economic behaviour of the alleged infringer or third party. The two Groups that consider that only communications with express threat should be considered did not provide specific reasoning for their position.

ii. If you answered NO to (i) above, what other kinds of communications should be considered as allegations of infringement?

The consensus among the responding Groups can be summarized such that communications that can be reasonably understood as threat of infringement proceedings against the alleged infringer should be considered as allegations of infringement. Examples of such communications given by the Groups include, e.g., various forms of warning letters (such as cease and desist and take down requests), other informal notifications of alleged infringement, public allegations or accusations of infringement, as well as complaints to authorities.

16) Should only allegations of infringement by the IP right holder itself be considered? Please answer YES or NO and add a brief explanation. In particular, if you answered NO, please specify whose allegations should be considered (e.g., allegations by a nonexclusive licensee, an exclusive licensee, group companies, attorneys and other advisors, third parties, etc.).

1 of the responding Groups (5%) stated YES, while 34 Groups (95%) stated NO.

An overwhelming majority of the Groups considers that the consideration of justifiability of an allegation should not be limited only to allegations by right holders but could extend also at least to licensees, group companies, as well as to third parties. As mentioned by many Groups, the prime example of such other party potentially making an allegation would be a licensee (exclusive or non-exclusive).

As laid out by the Singaporean Group, the capacity of the person making the allegation with respect to the IP right in question should be irrelevant due to the fact that it is possible for a person to have legitimate rights over an IP right even if they are not the holders of said right and, consequently, even if a person does not have legitimate rights over an IP right, simply making an allegation of infringement may have the same effect on competition. Also, some Groups (such as the German and Swedish Groups) note that should the applicability be limited only to right holders, it would be easy to circumvent the regulation around unjustified allegations. Some Groups also note that a third party who is abetting or aiding, or entrusted, hired, employed, or licensed to engage, in such allegations should also be subject to scrutiny.

As to the actions of attorneys, there are Groups supporting the view that advocates and solicitors who act in their professional capacity on behalf of their clients should

not be personally liable for making groundless threats, as – and to the extent – they are simply acting on their client’s instructions (e.g., German and Singaporean Groups).

Representing the opposing view, the Thai Group finds that the allegations of infringement by the right holder should solely be considered due to the fact that the definition of IP refers to the legal rights given to the inventor or creator to protect their invention or creation for a certain period of time and the allegations fall into the scope of legal rights including the right to claim IP infringement which constitutes exercising of the exclusive right.

17) If an allegation of infringement of IP right is determined to have been unjustified so as to be abusive, what should be the consequences of unjustified allegations of infringement of IP rights:

a. Should damages be available to the party having been alleged to infringe the IP right? Please answer YES or NO and add a brief explanation.

35 of the responding Groups (100%) stated YES. As expressed by the Ecuadorian Group, it is broadly considered that providing for damages serves to deter right holders from making unfounded claims, compensate the wrongly accused party for harms suffered, restore balance by discouraging irresponsible enforcement tactics, and promote more thorough investigation of legitimate infringement cases.

b. Should declaratory judgements that such allegations are unjustified be available to the party having been alleged to infringe the IP right? Please answer YES or NO and add a brief explanation.

32 of the responding Groups (90%) stated YES, while 3 Groups (10%) stated NO.

A vast majority of Groups find that declaratory judgements concerning the unjustified allegations should be available to the party who has been (in an unjustified manner) alleged to infringe the IP rights. As noted by the Singaporean Group, declaratory judgments would help to outline and clearly delineate the extent of each parties’ rights so as to avoid further future conflict.

As to voices not favouring declaratory judgements in this context, the Japanese Group notes that instead of a declaratory judgement against the party making the unjustified allegation, the alleged infringer should be allowed to seek a declaratory judgement of non-infringement which the Japanese Group finds would provide a more complete solution to the dispute.

c. Should injunctions against such unjustified allegations be available to the party having been alleged to infringe the IP right? Please answer

YES or NO and add a brief explanation.

31 of the responding Groups (90%) stated YES, while 4 Groups (10%) stated NO.

A vast majority of Groups find that injunctions against unjustified allegations should be available to the party who has been (in an unjustified manner) alleged to infringe the IP rights. As to the reasoning, a great majority of the Groups supporting injunctions consider that injunctions should be available in particular to prevent continued unjustified allegations. It is, however, noted by some of the Groups that the scope of such injunctions should be crafted carefully so as not to prevent the right holder from ever enforcing its rights and that the standard for issuing such injunctive relief should be appropriately high to avoid undermining valid enforcement actions with, e.g., the Belgian Group – supporting availability of injunctions – noting that such injunctions should not result in anti-suit injunctions.

As to the views of Groups who are against enabling injunctions against unjustified allegations, e.g., the Vietnamese Group finds that injunctions should not be available as they should be reserved for situations where there is a high risk of future, ongoing harm, which the Vietnamese Group considers not always being present with an unjustified allegation. Further, the Peruvian Group considers that injunctions should not be available as the question of infringement is assessed at the end of infringement proceedings.

d. Should fines or punitive damages be ordered against the party making the allegation? Please answer YES or NO and add a brief explanation.

23 of the responding Groups (65%) stated YES, while 12 Groups (35%) stated NO.

Majority of the Groups finds that fines or punitive damages should be available against the party making the allegation. However, it should be noted that among this Group of majority, punitive damages are less favoured with the vast majority favouring fines. The justification among both the Groups supporting fines and/or punitive damages as well as the Groups opposing them, is the potential deterring effect of such fines or punitive damages: The proponents find that the existence of such consequences would deter unjustified allegations, while the opponents are concerned that such deterring effect would result in the IP right holders being discouraged from (justifiably) enforcing their rights.

As to the mechanism for ordering such remedies, the Philippine Group also proposes the idea of granting the authority of ordering such fines and/or punitive damages to the IP offices as they have the specialization and technical capability to rule over issues involving IP rights and such an option would allow injured parties to seek relief without having to go through lengthy judicial processes.

e. Other than the consequences referred to in a-d above, should there be

other types of consequences? Please answer YES or NO and add a brief explanation

18 of the responding Groups (50%) stated YES, while 17 Groups (50%) stated NO.

A number of Groups suggest publication of the judgement (and/or other finding of abuse) and publication of correction and/or removal of the allegation as additional remedies. Also, many Groups note that reimbursement of court and legal costs as well as attorneys' fees should be available.

Other consequences suggested include, e.g., disciplinary actions against attorneys or advisors involved in making the unjustified allegations, mandatory training on proper IP enforcement practices, compensation for expenses occurred in having to restore reputation due to the unjustified allegations involving trade marks, as well as the possibility of classifying abuse of rights as a crime of unfair competition. One Group also suggests more broader restrictions or limitations on parties that systematically make unjustified infringement claims on a large scale as part of their general business strategy (i.e., to cause intentional disturbance to competitors).

18) Who should bear the burden of proof of the unjustified/justified nature of the allegation of infringement?

The vast majority of the Groups consider that the party who invokes the argument that the allegation of infringement was unjustified, should also bear the burden of proof. This finding is based on the general principles of burden of proof in many jurisdictions.

However, a number of Groups (such as the Australian, Mexican, Portuguese, and Swiss Groups) emphasize that there should be a balance on such burden of proof. For example, the Swiss Group suggests that the burden of proving the relevant facts leading to a finding of unjustified allegation of infringement should be divided for different phases: (i) for proving invalidity of the alleged IP right, the alleged infringer should bear the burden of proof; (ii) for lack of infringement of the alleged IP right, the right holder should bear the burden of proof of infringement and if this fails, the acts of the alleged infringer must be considered non-infringing; and (iii) for the right holder's knowledge about the invalidity/non-infringement, the alleged infringer should bear the burden of proof of either actual knowledge or of circumstances that show constructive knowledge. The Ukrainian Group for its part considers that the initial presumption should be that the allegation is justified, unless proven otherwise, in order to keep the balance between the interests of the IP right holders and the limitations from the misuse of such rights.

As to the reasoning for balancing of the burden of proof, the Mexican Group, markedly, notes that the balancing of the burden of proof between the parties would enable the legal process to remain balanced and equitable thereby

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promoting fairness and accountability in IP enforcement which in turn would encourage parties to engage in good faith negotiations and settlement discussions, while also providing a framework for resolving disputes through formal legal proceedings when necessary.

19) Please comment on any additional issues concerning any aspect that you consider relevant to this Study Question.

A number of Groups raise additional issues they considered relevant for the Study Question:

As to platforms and take downs, the Finnish and Brazilian Groups note the importance of applying the same principles to e-commerce and Internet/social media platforms than to other cases. The Finnish Group further notes that the processes for taking down material from the Internet/social media platforms should be reliable in order to avoid unjustified take downs, but also to ensure that the right holder's rights regarding infringing content are enforced.

As to economic implications of unjustified allegations, the Mexican Group points out that there may be economic implications not only for the parties directly involved but also for broader industry sectors and the economy as a whole. Calling for the need for holistic understanding of such impact, the Mexican Group notes that baseless claims may result in wasted resources, increased transaction costs, and reduced market competition, ultimately undermining consumer welfare and economic growth.

As to fundamental principles of law, the Mexican Group further emphasizes the importance of ensuring access to justice: The Mexican Group finds that access to justice should be ensured for parties subjected to unjustified allegations of infringement for upholding the rule of law and safeguarding the rights of individuals and businesses. The Ukrainian Group also points out that in a situation where both a claim and a counterclaim are considered to be unjustified allegations, both parties should be provided with equal possibilities of protection against such unjustified claims.

Further, as to nexus to technological development, the Mexican Group also notes that rapid advancements in technology, such as artificial intelligence (AI) and machine learning, also have a nexus to the justifiability of allegations of IP infringement: The Mexican Group highlights as an example AI-driven content recognition systems which may enable platforms to identify and remove infringing content more efficiently which in turn may raise concerns about false positives and the potential for automated censorship, each linking back to the question of

justifiability of allegations of IP infringements.

Finally, as regards different types of IP rights, the Thai Group calls for explicit recognition for trade dress as the absence of legal framework and precedent poses challenges for brand owners in protecting their unique store layouts which may result in unjustified allegations, while the Turkish Group further notes that the possibility to provide additional right for the holder of unregistered IP right against unjustified counter-allegations by registered rightsholders in bad faith.

20) Please indicate which industry sector views provided by in-house counsels are included in your Group's answers to Part III.

Industry views were incorporated in approximately half of the Reports with views including from the following industries: agroindustry, apparel/luxury goods, automotive industry, biotechnology, chemical, cleaning and household products, electronics, entertainment activities, food, healthcare, beverages, hygiene and health, legal services, machinery, mining, pharmaceutical and cosmetic industry, telecommunications, and tobacco.

IV. Conclusions

From the Reports, the conclusion can be drawn that majority of the Groups agree that harmonisation regarding unjustified allegations of IP infringement and their consequences is desirable.

There is solid support among the Groups to base assessment of the justifiability of an allegation of IP infringement on the reasonable subjective beliefs of the party making the allegation while considering certain objective facts in support of assessment of such subjective beliefs.

Further, it can be drawn that a majority of the Groups find that (although not each of the points below is necessarily supported by the "same" majority):

- Making an allegation of infringement which is later proved incorrect, should not be considered as such an unjustified allegation.
- However, making an allegation of infringement while having actual knowledge of validity destroying circumstances should be considered an unjustified allegation.
- Making an allegation of infringement while the person making the allegation should have known (constructive knowledge) of validity-destroying circumstances should be considered an unjustified allegation.
- Making an allegation of infringement before the IP right has been granted should not be considered an unjustified allegation.
- Making an allegation of infringement while having actual knowledge of circumstances leading to non-infringement should be considered an unjustified allegation.

- Making an allegation of infringement when one knew or should have known (actual or constructive knowledge) that the likelihood of the infringement claim succeeding is low should be considered an unjustified allegation.
- Making an allegation of infringement in public or commencing formal proceedings (e.g., seeking injunctions) when settlement negotiations or other resolution processes (e.g., license fee determinations) are on-going should not be considered an unjustified allegation.
- Both the motivation and knowledge of the party making an allegation should play a role in assessing whether such allegation should be considered unjustified so as to be considered abusive.

Moreover, as to the type of communications to be considered as allegations, a majority of the Groups finds that (although not each of the points below is necessarily supported by the “same” majority):

- When assessing whether communications constitute an allegation of infringement, also communications other than proceedings formally commenced before a court or other authority should be considered as allegations.
- Consideration of an allegation should not be limited only to communications with an express threat of formal proceedings, but also other communications should be considered.
- Also, allegations by other parties (such as by nonexclusive licensees, exclusive licensees, group companies, attorneys and other advisors, and/or other third parties) than the right holder itself should be considered as allegations of IP infringement.

With respect to remedies for an allegation of infringement of IP rights that has been determined to have been unjustified there is strong support among the Groups that damages, declaratory judgements, injunctions, as well as fines and/or punitive damages should be available against the party making the unjustified allegation. Further, there is also solid support among the Groups that publication of the judgement and/or correction should be available as a remedy to rectify the unjustified allegation. Also, many Groups find that reimbursement of court and legal costs as well as attorneys' fees should be available.

Finally, a vast majority of the Groups find that the burden on proving that an allegation of infringement was unjustified should vest with the party claiming that the allegation was unjustified.