



General: Unjustified allegations of infringement of IP rights

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Questions

I) Current law and practice

Please answer all questions in Part I on the basis of your Group's current law. You may differentiate your answers based on different IP rights if applicable under your Group's current law.

- 1) Does your current law draw a distinction between justified and unjustified allegations of infringement of IP rights? *Please answer YES or NO and add a brief explanation.*

YES. Unjustified allegations of infringement of IP rights may fall under Sections 1 and/or 2 of the Unfair Business Practices Act (1061/1978).

Good business practice may not be violated nor may practices that are otherwise unfair to other entrepreneurs be used in business (Section 1).

A false or misleading expression concerning one's own business or the business of another may not be used in business if the said expression is likely to affect the demand for or supply of a product or harm the business of another (Section 2). Moreover, an expression that refers to irrelevant circumstances or that is presented or formulated in an unsuitable manner may not be used in business if the said expression is likely to harm the business of another. An unjustified allegation of infringement of IP right, e.g., in a letter to resellers, might affect the demand for or supply of a product and thus be unfair business practice.

If you answered YES to question 1) above, please continue answering to questions 2)-5) below. If you answered NO to question 1) above, please move to section II below.

- 2) What are the criteria for communications to be considered as an unjustified allegation of infringement under your current law?

As noted above in question 1, Section 2 of the Unfair Business Practices Act prohibits the use of untruthful and misleading statements/expressions/allegations concerning one's own business or the business of another if said statement is likely to affect the demand for or supply of a product or harm the business of another. According to the legislative preparatory work, the scope of the prohibition is wide: *"the scope includes all untruthful and misleading statements concerning either own, or another's, business, whether they would have been directed to the large public or private persons in any form whatsoever"*.

While there are no strict criteria concerning the form of the allegation, to whom it is made, and in what format, the following criteria can be identified in order for the communication to be considered as untruthful and/or misleading (and consequently unjustified):

1. The statement is untruthful or misleading. A statement is considered *untruthful* when



its contra factuality can be shown. The party making the statement has the burden of proof to show that the statement is in fact true. A statement is considered *misleading* when it reasonably conveys a different factual condition than what is true. It is good to note that even a truthful statement may be misleading, for example, if a material fact is left out from the statement.

2. The untruthful/misleading statement must be communicated. However, there is no requirement of communication to the public.
3. The untruthful/misleading statement must have an effect on the supply or demand of a good, or (an intention) to harm another's business. However, the threshold for a statement to affect another's business should be low. The preparatory documents explicitly recognize that even if an untruthful/misleading statement would not be likely to affect the supply or demand of a good (understood broadly), such statement is still prohibited if it is likely to affect the "business". This effect on another's business may be shown also in terms of worse sales terms and/or loss of goodwill.

The assessment of these conditions must be made on a case-by-case basis and taking into account e.g. the severity of the statement, the audience as well as its potential effects.

Furthermore, as explained below under question 3, Finnish case law has recognized that the nature and context of public communications is integral in taking into account whether it should be considered as prohibited, e.g. in the case of IP rights monitoring.

- 3) What kind of communications and by whom are considered as allegations of infringements of IP rights under your current law? E.g., *inter partes* correspondence, mass communications, communications by advisers, etc.

According to the case law (Supreme Court decision KKO 2005:105, para 10), the assessment of the unfairness of the conduct must take into account, *inter alia*:

- (i) whether the purpose of the communication is other than the defense of a protected right,
- (ii) whether the letter is untruthful or misleading,
- (iii) whether the communication is considered unjustified or otherwise made in bad faith; or
- (iv) whether the communication is sent to persons in such a way as to have an improper effect on the demand for or supply of the goods or is likely to prejudice the business of another.

According to the case law, the right holder's right to take action is not limited to situations where the infringement is obvious prior to taking action. The right holder is permitted to contact the suspected infringer at a stage when the actual infringement is not yet certain. However, if the allegation of infringement later proves to be false, this can be taken into account in assessing the unfairness of the conduct (Market Court decision MAO 631/18, paras. 22-23). Moreover, depending on the circumstances, it may be necessary to inform not only the manufacturer of the infringing product but also, for example, those who offer the product for sale or market it. In principle, it is therefore not considered unjustified to send a letter of an informative nature to the appropriate parties, which clearly indicates that the sender's assessment of the situation is his own or that he intends to bring an action before the court (MAO 631/18, para. 23 with reference to KKO 2005:105, para. 10). However, extra care should be taken if the communication is sent to others than the primary (suspected) infringer (MAO 631/18, para. 23).

Further, it must be assessed if it is unfair or otherwise inappropriate or contrary to accepted principles of morality. In the Supreme Court's case KKO 2005:105, the sender's market



position was considered in the assessment. The communication was considered to be an excessive remedy, inter alia, because given the sender's market position, the addressees may have received a false impression of the infringement and its consequences, and of their own position as a party to the infringement. (KKO 2005:105, paras. 10 and 14-15).

- 4) Under your current law, does the doctrine concerning unjustified allegations apply to all kinds of allegedly infringing activities alike? *Please answer YES or NO and add a brief explanation.*

YES. The Unfair Business Practices Act sets forth provisions relevant to assessing whether an unjustified allegation has taken place. These provisions apply to allegations concerning all kinds of allegedly infringing activities. As described above, the nature and circumstances relating to specific allegedly infringing activities are to be considered when determining whether an allegation is unjustified.

- 5) What kind of remedies are available under your current law to the party who has been subject to such unjustified allegations of infringement:

- a. Damages? *Please answer YES or NO and add a brief explanation.*

YES. Damages can be awarded if the unjustified allegation has been intentional and inappropriate or against fair trading, and knows it is likely to cause economic losses for the other party. (Supreme Court Decision KKO:2005:15)

- b. Injunctions against such allegations? *Please answer YES or NO and add a brief explanation.*

YES. The Unfair Business Practices Act includes a possibility to issue an injunction to the trader to continue or renew the illegal act(s).

- c. Declarations that such allegations are unjustified? *Please answer YES or NO and add a brief explanation.*

NO.

- d. Fines or punitive damages? *Please answer YES or NO and add a brief explanation.*

YES. According to Chapter 30, Section 2 of the Criminal Code, a person who in business activities uses a false or misleading expression concerning his or her own business or the business of another and thus causes damage to another trader shall be sentenced for an unfair competition offence to a fine (or to imprisonment for at most one year)

NO. There are no punitive damages.

- e. Other remedies? *Please answer YES or NO and add a brief explanation.*

YES. According to Section 8(2) of the Unfair Business Practices Act, on the motion of



the plaintiff, the Market Court may order that the decision in a case involving a prohibition shall be published in one or more newspapers or periodicals at the expense of the defendant. The publication of a decision on a temporary ban may not be ordered.

Reimbursement of legal costs and attorney fees.

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

Please answer the questions of this Part II below. You may differentiate your answers based on different IP rights if appropriate and/or desirable in your view.

- 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.*

NO. The Finnish Group considers that there is no need to change the current system. There are no major problems, and the current law is sufficiently flexible. The legislation could be clearer, but on the other hand it is difficult to non-exhaustively include all possible scenarios and all forms of IP rights in the legislation, especially when we have general legislation covering all forms of IP rights and without making the legislation too rigid. Further guidance has been given and developed in case law.

- 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?

Free competition is the starting point. The exclusive rights granted by IP rights are an exception to the main rule of free competition. The IP rights should be valid and justified when relied upon. The competition should not be unduly restricted and could harm the operation of the free market. The legitimate expectations of third parties should be protected.

It should not be allowed to communicate untruthful or misleading statements that may have a negative effect on a third party's business.

- 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?

It should be possible to send cease and desist letters, but there should be efficient restrictions preventing unjustified/over-broad allegations. A balancing of interests of the right holders and third parties is needed.

- 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.

From a policy perspective option (a) the objective hindsight-based view on whether the



IP right in question is valid and being infringed at the time the notifications were made should be the starting point. However, the objective hindsight-based view should take into account the other circumstances of the case. There were justified reasons to assume that the IP right was valid and infringed. An objective overall assessment of the case should be made.

- 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?

In Finland there has been several cases in which a law firm has sent a C&D letter on behalf of a right holder to a private person claiming that the private person has breached copyright by downloading content from a peer-to-peer network. However, according to the Paragraph 60a of the Finnish Copyright Act, the author is entitled by court order to obtain from [telecommunications operator] the contact details of a telecommunications connection from which copyrighted material is made available to the public to a substantial extent without the author's consent. Eventually the accuracy of the telecoms company's information can be challenged before the market court (MAO 419/16, MAO 565/17, MAO 27/19, MAO 299/19). If the case is settled already by the payment following the cease-and-desist letter, the accuracy of the information won't be investigated. The risk of being obligated to pay high legal fees may lead to false payments and unjustified damages to the person receiving the cease-and-desist letter. Also, from the right holders' perspective having to take the matter to the market court in order to receive the information and confirm the accuracy of the information can be costly.

In such circumstances where the other party is a private individual, some low-cost mechanism to investigate and solve these disputes should be available.

III) Proposals for harmonisation

Please answer the questions of this Part III below. You may differentiate your answers based on different IP rights if appropriate and/or desirable in your view.

- 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.*

YES.

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.*

It is not possible to exhaustively define the criteria. However, at least the following

should be taken into account in the assessment:

- (a) making an allegation of IP infringement while having actual knowledge of validity-destroying circumstances or it is obvious to the party making the allegation that the IP right relied upon is invalid;
- (b) making an allegation of IP infringement while having actual knowledge of circumstances leading to non-infringement;
- (c) whether the allegation of IP infringement is considered unjustified or otherwise made in bad faith;
- (d) the over-all circumstances and the context in which the activities take place;
- (e) making misleading or untruthful allegations or omitting relevant facts;
- (f) the allegation violates good business practice;
- (g) whether the purpose of the communication is other than the defense of a protected IP right;
- (h) making the allegation of IP infringement is unfair or otherwise inappropriate or contrary to accepted principles of morality;
- (i) the sender's market position and if the communication may be considered to be an excessive remedy;
- (j) whether the communication is sent to persons in such a way as to have an improper effect on the demand for or supply of the goods or is likely to prejudice the business or goodwill of another;
- (k) giving a false impression of the infringement and its consequences, and of recipient's position as a party to the infringement;
- (l) extra care should be taken if the communication is sent to others than the primary (suspected) infringer, however, when the trademark or design is well-known the threshold for contacting the re-seller should be lower;

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?

NO. The right holder must be able to take action and contact the suspected infringer also in situations where the validity and the actual infringement is not yet certain.

- b. Making an allegation of infringement while having actual knowledge of validity-



destroying circumstances? *Please answer YES or NO and add a brief explanation.*

YES. If it is clear that the IP right is invalid and the party making the allegation is aware of this.

- 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.*

NO. However, there could be exceptions for such IP rights, which are not examined *ex officio*.

- 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.*

NO. It should be possible to make an allegation even if there are some concerns about the validity and/or alleged infringement.

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

NO. For example, regarding patent applications so-called provisional protection is available. Thus, the applicant should be allowed to refer to either published patent applications, or if not yet published able to refer to them by submitting a copy of such a patent 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.*

YES. If it is clear that the IP right is not infringed and the party making the allegation is aware of this.

- 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.*

NO. It should be possible to make the allegation even if the success-rate is low.

Balanced by the risk to be ordered to pay the legal fees of the other party or countermeasures by the other party, such a declaratory action and/or compensation for unjustified allegations.

- 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 on-going? *Please answer YES or NO and add a brief explanation.*



NO. Otherwise, this would likely lead to a (patent) hold-out (or IP hold-out in general) where the alleged infringer would negotiate without a real intention to cut a deal.

- 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.*

Clearly frivolous allegations.

- 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.*

YES.

(a) In case an allegation is provenly made in bad faith or otherwise in order to cause harm to the alleged infringer without actual basis for the claim.

(b) See answer to 13(b) If it is clear that the IP right is invalid and the party making the allegation is aware of this.

- 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.*

NO. Cease-and-desist letters and take down requests and public announcement may be considered as allegations of infringement.

- 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.*

NO. It is not necessary to include a threat of formal proceedings to be considered as allegations of infringement.

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

An allegation of infringement can also be direct or implicit accusation of infringement without a threat of formal proceedings.

- 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 non-exclusive licensee, an exclusive licensee, group companies, attorneys and other advisors, third parties, etc.).*



NO. In addition to the IP right holder, allegations made by non-exclusive licensees, exclusive licensees, group companies, attorneys, and other advisors, as well as third parties, may also be considered as these may equally constitute an unjustified allegation. It is important to carefully evaluate the circumstances and legal grounds of any infringement allegations, regardless of who makes the allegation. To the extent the allegation is made by other than the IP right holder (such as third party), the likelihood of finding the allegation as unjustified increases as the objective of such communication may be e.g. other than the defense of the IP 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.*

YES. The alleged infringer should be able to claim for damages for any loss they have suffered as a result of the unjustified allegation in accordance with the principles of tort law.

- 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.*

YES. The alleged infringer should be able to seek for declaratory judgment that the allegations are unjustifiable or groundless.

- 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.*

YES. The alleged infringer should be able to request an injunction against the party to prevent any further unjustified allegations.

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

YES. Ordering of fines may be justified where the unjustified/misleading allegation, which causes damage to another's business, has been made intentionally or through gross negligence.

- 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.*

The court should be able order on the plaintiff's request that the decision shall be published in one or more newspapers or periodicals at the expense of the defendant.

Reimbursement of legal costs and attorney fees.



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

The burden of proof of the unjustified/justified nature of the allegation of infringement is on the party making the claim. The party claiming that the allegation has been unjustified (alleged infringer) bears the burden of proof in showing the unjustified nature of the allegation, and vice versa, the party claiming that the allegation has been justified (IP right holder) bears the burden of proof in showing the justified nature of the allegation.

However, the party claiming the damages caused by the unjustified allegation bears the burden of proof in showing the causality and the amount of damages.

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

In certain cases, take down requests on internet/social media platforms could be considered unjustified or abusive if done in bad faith and may cause significant harm to the other party. Therefore, the processes for taking down material from the 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.

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

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