

# Kluwer Trademark Blog

## Are you threatening me? Unjustified threats almost creep into EU trade mark enforcement

Julius Stobbs (Stobbs IP) · Wednesday, February 15th, 2017

### **Nvidia Corp v Hardware Labs (GTX) [2016] EWHC 3135 Ch**

For manufactures of steam engines in the late 19<sup>th</sup> century, tactics of systematically threatening to sue your competitors' customers for infringement of intellectual property rights were fair game. Nowadays, businesses in the UK have to contend with the laws on unjustified threats which prohibit such unscrupulous practices. Whilst this undoubtedly protects businesses from being bombarded by spurious claims, on the flip-side it can make enforcing legitimate brand rights dangerous territory.

Under UK law, the recipient of a threat to bring trade mark, design right or patent infringement proceedings in the UK is entitled to sue for an injunction to stop the rights holder from making such threats and/or an award of damages. The onus is then on the threatening party to prove that they have sufficient grounds to make an infringement claim. Parties looking to enforce their rights have to tread a delicate balance to avoid falling foul of these provisions, or risk being faced with a counter-claim.

Whilst it would be comforting to assume that such concerns are confined to the UK, recent case law has made clear that there are risks for businesses seeking to protect their brands more widely across the EU. In January 2016, a German attorney acting on behalf of Hardware Labs Performance Systems Inc. got more than he bargained for in sending a commonplace "Cease & Desist" letter to the US-based parent company of the Nvidia Group. The complaint was based on the use of Hardware Labs' registered EU mark "GTX" by a German subsidiary of the Nvidia group on its German website. The letter alleged such use constituted an infringement of Hardware Labs' EU trade mark rights and that if the Nvidia parent did not provide undertakings to cease use of such mark in the EU as a whole, legal action would be taken.

In a stroke of creative commercial litigation, Nvidia jumped on this letter as an unjustified threat to bring proceedings in the UK and issued proceedings against Hardware Labs in the UK High Court on this basis. Whilst it was clear that the letter had been intended as a threat to bring infringement proceedings, it was not at all clear that this could be read as threat to bring proceedings in the UK. Indeed, on its face the letter complained only of activities undertaken by a German company, on a German website, for which it held the US parent company responsible. Nvidia argued forcibly that this letter could be understood as a threat to sue in the UK, noting that the letter was written in English, addressed to the parent of a group which included 3 English subsidiaries and (crucially)

had requested undertakings in respect of EU wide activities not just activities in Germany. Further, they argued that Hardware Labs was well aware of Nvidia's substantial commercial dealings in the UK and would specifically be looking to capitalise on these by seeking damages in respect of their use of the GTX mark in this jurisdiction (none of which had been explicit in the original letter). Mr Justice Mann rejected these claims, affirming that the letter could not be understood to threaten proceedings in the UK on a sensible reading.

For big businesses looking to enforce their EU rights, this can only be a positive result. A decision otherwise could have introduced dangerous potential for UK threats laws to creep into enforcement actions in other EU countries, where proceedings in the UK were never seriously contemplated. Perhaps it is unsurprising that the High Court adopted this narrow application, an approach entirely consistent with recent efforts to clarify and confine this area of law in the form of the Intellectual Property (Unjustified Threats) Bill. Still, it is a stark reminder to handle threats of litigation against companies connected to the UK with care, making sure to pin down the intended jurisdictions with some precision. Whilst it is worth remembering that threats cases very rarely end up in Court, businesses engaged in big commercial disputes should still seek to guard against handing infringers a potential tactical advantage in the form of a threats claim which could be used strategically to apply pressure to the rights holder, who would be unable to choose the jurisdiction of the dispute and is automatically on the back-foot as the defendant. It remains to be seen whether Brexit will provide a solution to these challenges, providing a shield against UK threats legislation for enforcement of trade mark rights in the EU at large.

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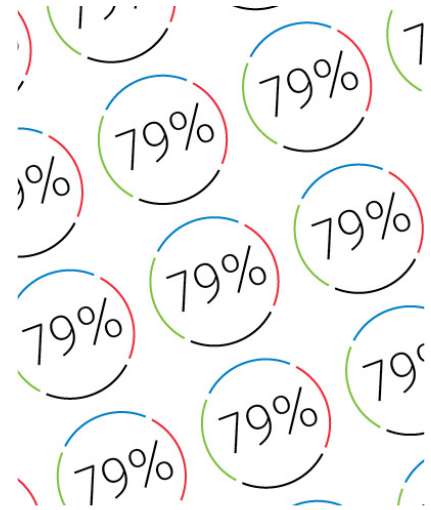
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