



# Rebalancing the scale: fighting back against meritless IP takedown complaints

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*What can you do if your client's online marketplace is taken down because a commercial competitor makes vexatious intellectual property infringement claims to the hosting platform? Platforms such as Amazon, eBay and YouTube would more than likely admit that they are not able to allocate the time and resources to investigate the merits of infringement claims, and professional users are vulnerable to the abuse of intellectual property rights ("IPR") policies which can seem opaque and inconsistent. Users' channels can be disabled in purported reliance on rights which may not be actually owned by the complainant – or, in some cases, which are plainly invalid.*

Three recent cases highlight legal tools which can be used to fight back against meritless complaints. The Intellectual Property (Unjustified Threats) Act 2017 ("IP(UT)A") can cover complaints for infringement of patents, trade marks and design rights. Victims of unjustified complaints have also successfully relied on the torts of causing loss by unlawful means, deceit, and malicious falsehood.

## Invalidating registered rights

IPO decision O/1007/22 Tyre Tool considers four registered designs which were relied upon in complaints to eBay about a competitor's products. The designs were challenged and found invalid. However, eBay had acted on the complaints, and during invalidation proceedings the complainant had got a similar effect to that of an interim injunction but without having to put up the normal cross-undertaking in damages.

The complainant resumed its complaints to eBay after the rights were invalidated at a final appeal, and the competitor's eBay account was restricted again. Martin Howe KC as the Appointed Person noted that the IPO has no powers to provide injunctions against abusive assertion of purported rights which may have been revoked. Thus, the invalidation of a complainant's claimed rights may not stop the commercial effect of the abuse of online platforms' IPR policies.

Better outcomes were reached for victims of groundless complaints in the following three High Court cases.

## Unjustified threats

In *Shenzhen Carku Technology Co., Ltd v The NOCO Company*<sup>1</sup> NOCO had used Amazon's IPR complaints procedure to have some of Carku's products delisted for alleged patent infringement. Meade J held that the patent relied upon was invalid and for the most part not infringed. In the circumstances of this case, NOCO's use of the Amazon IPR complaints procedure amounted to unjustified threats of infringement proceedings. Those threats were actionable in themselves, and could be remedied with an injunction and damages.

In essence, the IP(UT)A provides that a communication contains a "threat of infringement proceedings" if a reasonable person in the position of a recipient would understand from the communication that (a) a relevant right exists, and (b) a person intends to bring proceedings against another person for infringement of that right by an act in the UK. Not all "threats" are actionable: communications can be made for a "permitted purpose" (such as discovering the identity of a primary infringer); and it is a defence to show that the act complained of would actually constitute an infringement of the relevant right.

Pumfrey J had found in *Quads 4 Kids v Campbell*<sup>2</sup> that there was arguably an

actionable threat in similar notifications to eBay under its Verified Rights Owner programme. Those notifications did not lead to investigation of allegations of infringement by eBay, but did have the effect of causing listings to be removed. However this was "a remarkably difficult question".

Meade J held that NOCO's communications to Amazon – which asserted the existence of patent rights, asserted the infringement of those rights, and called for action to be taken to end the alleged infringement – would be classic threats in most contexts. Here they did constitute actionable threats against Amazon: Amazon did not apply its complaint policy in an "all-or-nothing" way but sometimes allowed products to remain on its market, so Amazon makes a judgment of risk in its own self-interest. They were also threats against third parties: Amazon would understand that if it carried on selling, NOCO would be ready willing and able to sue the relevant third party distributors.

## Causing loss by unlawful means

In *Costa v DissociaDID Ltd*<sup>3</sup> Mr Costa had complained to YouTube about alleged copyright infringement on the defendants' YouTube channel, and YouTube had acted on his complaints. However, some of those complaints referred to content which the defendants had removed from the listings complained of, and Costa knew this as he continued to complain about those listings. The defendants brought a successful counterclaim that Costa's complaints to YouTube had caused them loss by unlawful means, where the complaints were actionable by YouTube as deceit.

The ingredients of the tort of causing loss by unlawful means were (1) acts by the defendant (Costa) against a third party in which the claimant has an economic interest (YouTube), (2) which are actionable in law by the third party (to include acts which are not actionable solely because the third party has suffered no loss), (3) where such acts affect the freedom of the



third party to deal with the claimant (DissociaDID), (4) and where there is an intention on the part of the defendant thereby to cause loss to the claimant.

DissociaDID had an economic interest in YouTube because YouTube hosted the channel through which it ran its business. Costa had made complaints which affected YouTube's freedom to deal with DissociaDID, because it influenced YouTube's belief that Costa's rights were being infringed on DissociaDID's channel. It was established that Costa expected and intended that his requests would lead to the removal of videos, thereby causing loss to DissociaDID.

HHJ Hacon held that Costa's continuing complaints would be actionable by YouTube because they satisfied the four ingredients of the tort of deceit:<sup>4</sup> the complaints were (1) a false representation made by the defendant (Costa) to the claimant (YouTube); (2) the defendant having knowledge that the representation is false, alternatively being reckless as to whether it is true or false; (3) the defendant intending that the claimant should act in reliance on it; (4) the claimant acting in reliance and consequentially suffering loss (albeit that loss to YouTube was not required where the deceit was the 'unlawful means' for causing loss to DissociaDID). Both torts were made out.

### Malicious falsehood

In *Moviebox Megastores International Limited v Rahi*<sup>5</sup> Mr Rahi had complained to YouTube that he was the owner of copyright in songs in 26 videos on Moviebox's channel. His complaints were calculated to trigger

YouTube's "three strikes" policy to get Moviebox's channel closed down, which happened as a result. In *Moviebox's* successful claim it was established that Rahi did not own the copyright and had lied to YouTube in his complaints, which were malicious and fraudulent.

On the tort of malicious falsehood, HHJ Rawlings held that Rahi's complaints were made maliciously because he knew at the time that they were untrue, because the complaints were made in retaliation against *Moviebox*, and because his lies were 'intrinsically injurious' due to the actions which YouTube could take in response. The complaints were intended to cause loss to *Moviebox*: Rahi indicated on social media that he considered the deactivation of *Moviebox's* YouTube channel as the successful and intended outcome of his three "strikes". The subsequent disabling of *Moviebox's* main YouTube channel had caused loss. It was appropriate to grant permanent injunctions, both to dissuade Rahi from issuing further "strikes" and to demonstrate the outcome to YouTube.

### Comment

The IPR enforcement policies of eBay, Amazon and YouTube are necessarily a commercial compromise between the enforcement of IP rights and the monetisation of intellectual property. However, a level playing field for businesses requires that there must be some risk to making groundless infringement claims just as there is risk to infringing others' rights. Delisting and removal of channels can have devastating consequences, and may in

practice cut off all access to the market.

Merely challenging the validity of registered rights is not the answer. Invalidation proceedings are time-consuming, and will not necessarily resolve the issue with the platform even after a rights-holder's final appeal is exhausted. The IPO lacks the power to award remedies for the harm caused by the complainant's actions, or for what can amount to contempt of its decisions.

However, the IP(UT)A and the flexibility of torts can offer remedies to victims of malicious or deceitful complaints. While it is for each platform to implement its own complaints procedure, a judgment of the High Court and an injunction can give comfort to a platform as to the merits (or lack thereof) in contested complaints. And while unscrupulous and mendacious competitors can seek to abuse complaint policies to their commercial advantage, the liability that arose in cases such as these for damages, and the likely costs consequences, should make them think twice.

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<sup>1</sup> [2022] EWHC 2034 (Pat).

<sup>2</sup> [2006] EWHC 2482 (CD).

<sup>3</sup> [2022] EWHC 1934 (IPEC).

<sup>4</sup> As set out in *Eco3 Capital Limited v Ludsin Overseas Ltd* [2013] EWCA Civ 413 at [77] per Jackson LJ, with whom Arden and McFarlane LJ agreed.

<sup>5</sup> [2023] EWHC 501 (Ch)