

**EXPLANATORY MEMORANDUM TO
THE PATENTS (AMENDMENT) RULES 2007**

2007 No. 677

1. This explanatory memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 These Rules make changes to certain provisions of the Patents Rules 1995 (SI 1995/2093, as amended) (“the 1995 Rules”).

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Background

4.1 The principal statute relating to patents is the Patents Act 1977 (c.37) (“the 1977 Act”). The 1995 Rules are the main piece of secondary legislation made under the 1977 Act, and they regulate the business and procedure of the Patent Office. The Patent Office’s functions include the examination of patent applications and granting patents. It is also a quasi-judicial body with jurisdiction over certain legal proceedings concerning patents.

4.2 This instrument is made under section 123 of the 1977 Act and its purpose is to make three minor changes to the 1995 Rules. Two of these changes relate to the removal of provisions in the 1995 Rules which are incompatible with the efficient operation of the Office’s recently-introduced system for electronic case-files for patent applications. The third change is necessary if the UK is to comply with amended Regulations under the Patent Co-operation Treaty, which take effect on 1 April 2007.

5. Extent

5.1 This instrument applies to all of the United Kingdom.

5.2 The provisions of the 1977 Act extend to the Isle of Man, subject to any modification by Orders in Council. However, the changes made to the 1995 Rules by this instrument relate solely to procedures at the Office, so there is no scope for modification by the Manx government.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The Patent Office has recently introduced an electronic case-file system for patent applications, which allows more efficient working and dovetails with the electronic filing of patent applications. However, the system does not sit well with two requirements of the 1995 Rules.

7.2 One is a requirement to provide duplicates of any document filed in connection with a patent application. The need to provide duplicate documents is therefore removed for any new patent applications, and also for pending applications filed on or after 26 June 2006 (since such applications are held electronically).

7.3 The other requirement is that any papers filed on a published patent application are not made public for 14 days. This requirement is removed for any document filed on or after 1 April 2007.

7.4 The instrument also makes detailed changes in order to implement the amended Regulations under the Patent Co-operation Treaty (“PCT”)¹. The PCT, which currently has 136 contracting states, provides a streamlined procedure by which patents in many countries may be acquired by filing a single international patent application at one of a number of selected patent offices. From 1 April 2007, the PCT Regulations will allow an applicant to request that his international application is given a “priority date” which is up to 14 months earlier than the actual date of filing of the application – if various conditions are met. Changes to the 1995 Rules are made to reflect this position, which accord with existing arrangements available in the UK (and other countries) for national patent applications. The changes apply to any international application which enters the “national phase” in the UK on or after 1 April 2007.

7.5 The proposed changes and the accompanying draft rules were set out in a consultation document in late 2006, and the few responses that were received (from patent professionals or their representative bodies) were positive and supportive.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this Memorandum.

9. Contact

9.1 James Porter at the Patent Office (an executive agency of the Department of Trade and Industry) can answer any queries regarding the instrument. Tel: GTN (1214) 4521 or e-mail: james.porter@patent.gsi.gov.uk

¹ See pages 28-30 of Annex II of the following document on the World Intellectual Property Organisation website at: www.wipo.int/edocs/mdocs/govbody/en/pct_a_34/pct_a_34_6.doc

REGULATORY IMPACT ASSESSMENT

Patents (Amendment) Rules 2007

1 Introduction

1.1 This Regulatory Impact Assessment (“RIA”) supports and is being issued with the Patents (Amendment) Rules 2007, which make three proposed changes to the Patents Rules 1995. The RIA is produced in accordance with Cabinet Office RIA Guidelines and is available in paper form by contacting:

James Porter
The Patent Office
Concept House
Cardiff Road
Newport NP10 8QQ

Tel: +44 (0)1633 814521
Fax: +44 (0)1633 814491
E-mail: james.porter@patent.gov.uk

2 Purpose and Intended Effect

2.1 The three changes which are proposed have the objectives of:

- removing unnecessary and burdensome provisions which are no longer suitable in the light of the Patent Office’s move to electronic case-files for patent applications; and
- implementing a new provision under the Patent Co-operation Treaty.

2.2 The proposed changes will cover the whole of the UK, together with the Isle of Man.

3 Background

3.1 The Patents Rules 1995 (S.I.1995/2093, as amended) are the main piece of secondary legislation made under the Patents Act 1977. They regulate the business and procedure of the Patent Office in respect of patents – and so they give details of (for example) formal and filing requirements for making a patent application, time periods and deadlines, and procedures concerning how patent disputes are resolved at the Office.

3.2 The 1995 Rules reflect the fact that the UK patents system is a product of domestic policy and a number of international agreements, across Europe and beyond. Particularly relevant in this context is the Patent Co-operation Treaty (“PCT”). The PCT is an international patents treaty which was agreed in 1970. It currently has 136 contracting states, including the UK, and it provides a streamlined procedure by

which patents in many countries can be obtained by filing a single patent application at one of a few specially-selected patent offices.

3.3 Three changes to the 1995 Rules are proposed. The first two changes concern provisions which are incompatible with the efficient operation of the Patent Office's recently-introduced electronic case-file system for patent applications. They involve removing the requirement to file duplicate copies of documents making up a patent application, and removing a 14-day period during which any document filed at the Patent Office is automatically kept confidential.

3.4 The third change is necessary to reflect revised Regulations under the PCT. Doing so will ensure continuing UK compliance with that Treaty. The revised Regulations will make it possible for an applicant to request that his international application is given a "priority date" which is up to 14 months earlier than the date of filing of the application itself. Although this is already the position for domestic UK applications, a change to the 1995 Rules is necessary to ensure that this now applies to international patent applications.

3.5 These changes are discussed in more detail in the consultation paper which remains available on the Patent Office website at www.patent.gov.uk/consult-changepatentrules.pdf

4 Rationale for Intervention

4.1 If we do nothing, then provisions which are unnecessary in the light of the Office's electronic case-files system will continue to be imposed on the public. Other provisions which stop that system from working efficiently will also be retained.

4.2 Furthermore, if we do nothing, the UK will cease to comply with the PCT, to which it is a signatory.

4.3 The proposed amendments address the above matters, leading to Rules which are consistent with the new electronic case-file system and which keep the UK in line with the PCT.

5 Consultation

5.1 A public consultation on the proposed changes took place during late 2006 and early 2007. This contained an explanation of the proposed changes and the draft Statutory Instrument. The few responses that were received (from patent professionals or their representative bodies) were supportive and positive. Furthermore, when the changes to the PCT Regulations were being negotiated, key patents interests and user groups were consulted regularly on the proposals. They were supportive of the PCT providing for late declaration of priority.

6 Options

Do nothing

6.1 If we do nothing in respect of the provisions which are incompatible with the electronic case-file system, these provisions will continue to require users to provide duplicates when they are of no use to the Patent Office. They will also, being provisions which are formulated on the basis of paper files, not allow the new system to operate efficiently and with most benefit. This is clearly wasteful for all concerned. If we do nothing in respect of the provisions which implement the change to the PCT, then at best the UK patent system will become incompatible with the PCT, leading to legal uncertainty and confusion. At worst, the UK would have to leave the PCT. For these reasons, and the others set out in this RIA, we believe that doing nothing is clearly not in the best interests of the Office or of its users.

Non-legislative changes

6.2 There is no mid-way position, by which these matters can be addressed in a non-legislative way.

Make the necessary changes to the Rules

6.3 This is the strongly preferred option. It involves making the minimum changes necessary in order to remove the provisions which are incompatible with the electronic case-file system, and to implement the small change being made to the PCT Regulations.

Costs and Benefits

7 Sectors and groups affected

7.1 Individuals or organisations of any size, in any part of the UK or beyond, and in any area of economic activity (including not-for-profit organisations) may apply for a patent or become parties to patent litigation. We believe that the small proposed changes will benefit all such patent users.

7.2 As an indication of the numbers affected by the proposed changes, the number of patent applications received by the Patent Office is around 28,000 annually. Around 13,000 of these are published, and 8-9,000 patents are granted as a result. The Office also expects to receive some 4,000 PCT applications during 2006/2007.

8 Benefits

8.1 All patent applicants will benefit from not having to provide duplicate sets of papers – either when filing their patent application or when providing further papers later in the process. Anyone sending a document to the Office will retain the benefit of being able to ask that the document in question be kept confidential. Although there is now the stricter requirement of having to make this request at the time of filing the document, rather than up to 14 days later, in reality there is likely to be little detriment. This is because, in practice, parties request confidentiality when they file the document in question.

8.2 All patent applicants who chose to obtain patent protection in the UK via the PCT system will potentially benefit from the ability to make a late declaration of

priority. In other words, they will benefit by being able to retain their priority date in the circumstances where they intended, but were unable, to file the PCT application within 12 months of that date.

9 Costs

9.1 The only costs associated with the proposed changes would appear to arise because patent attorneys and others familiar with the existing Rules will need to become acquainted with the changes. However, they are not particularly complex or wide-reaching, and so these costs are not thought to be significant. The Patent Office will issue guidance reflecting the changes – to help with this process.

10 Small firms impact test

10.1 The Patent Office does not have information from users on the size of organisation they belong to. However, it is able to identify patent applicants or proprietors who are not represented by an agent of any kind and refers to these as private applicants (“PAs”). While any size or type of organisation may be unrepresented, we believe that most PAs are SMEs or individuals working alone. Conversely, many SMEs or private individuals may employ agents and so fall outside our PA category. Nonetheless, information about PAs is the best approximation we have to SMEs.

10.2 Our figures suggest that about a quarter of patent applications are filed by PAs, but these cases are proportionately less likely than others to be pursued to grant, and to be renewed after grant. Consequently, PAs are relatively unlikely to be affected by either costs or benefits of the proposed changes.

10.3 As noted at 9.1 above, we believe that the costs (if any) arising from the proposed changes will fall on patent attorneys and experienced users of the patent system. While some SMEs are regular users of the patent system, they and PAs are less likely to have established a developed understanding of patent procedures, and so will not need to expend effort understanding these relatively small changes. In any case, the Office provides extra help and guidance to PAs (including a dedicated support unit), and takes particular care to explain the legal requirements and procedures involved in obtaining patent protection.

10.4 We have no evidence that previous amendments to the Rules have caused any increase in agents’ fees. Thus SMEs who do choose to use a patent attorney or other agent are not likely to be affected in this way.

10.5 Overall, we conclude that the proposals will not have any significant adverse impact on SMEs. Indeed, SMEs will benefit, along with other users, from the proposed changes – as set out in paragraphs 8.1 and 8.2 above.

11 Competition assessment

11.1 Patents may be applied for or owned by any individual or by any organisation of any size, based in the UK or abroad, and in any economic sector or market.

11.2 We believe that no firm has more than 10% market share in the broad market for intellectual property rights and no three firms together have 50% of the market share.

11.3 The proposed changes will affect firms which file large numbers of applications for patents more than organisations which do not. However, there is no reason to indicate that the proposed changes will affect some firms more than others.

11.4 There is no evidence that the proposals would affect market structures, or change the number or size of firms.

11.5 The proposed rules changes would apply equally to new or established firms, and so there would not be higher set-up or ongoing costs for new or potential firms that existing firms did not have to meet.

11.6 Intellectual property rights are all concerned with innovation, so there will be some sectors affected which are characterised by rapid technological change. However, the proposals do not affect the nature or scope of any of those rights.

11.7 The proposals will not in any way restrict the ability of firms to choose the price, quality, range or location of their products. The nature and extent of patent rights will remain exactly the same under the proposals as under the existing regime.

12 Enforcement, sanctions and monitoring

12.1 Nobody has to apply for any form of intellectual property and so the proposals will not be enforced. Applicants who wish to obtain patents or to maintain their rights once granted will have to comply with the new Rules as they would with the current Rules. The only sanction is that if applicants or proprietors do not comply with the Rules, then their applications will not be processed or their granted rights will cease. Monitoring compliance will be on a case-by-case basis, ensuring that the Rules are complied with as they apply to the individual case. The proposals do not change any existing enforcement, sanctions or monitoring regimes.

12.2 The Patent Office will assess the effects of the proposals. There are well established mechanisms for customers to comment about any aspect of Patent Office services (including a feedback form at www.patent.gov.uk/about/about-ourperform/about-quality.htm and a dedicated e-mail account at customer.feedback@patent.gov.uk) which will remain in place. Feedback of all types is regularly collated and checked to ensure that individual complaints are dealt with and any underlying problems are identified and addressed. The Patent Office recognises that external circumstances will change and that there will almost inevitably be further changes to the Rules in the future to meet or anticipate such changes.

Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed

Malcolm Wicks

Date

4th March 2007

Contact point for enquiries and comments:

James Porter
The Patent Office
Concept House
Cardiff Road
Newport NP10 8QQ

Tel: 01633 814521

E-mail: james.porter@patent.gov.uk