

<b>Title:</b> Impact Assessment: changes to the Patents Rules <b>IA No:</b> BISIPO014  <b>RPC Reference No:</b> 3033-3037, 3049 <b>Lead department or agency:</b> Intellectual Property Office <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 21/07/2016			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary legislation			
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**Summary: Intervention and Options**

**RPC Opinion:** EANDCB Validated

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£0.13m	£0.04m	£0.0m	In scope	Qualifying provision

**What is the problem under consideration? Why is government intervention necessary?**

The proposed amendments to the Patents Rules are intended to simplify the law, to provide greater clarity, and to reduce burdens on applicants, including by taking account of modern ways of working. Making these changes requires amendments to secondary legislation.

**What are the policy objectives and the intended effects?**

- To provide increased legal certainty, including for third parties looking to determine whether they can operate in a particular technology area.
- To bring certain aspects of UK requirements into line with equivalent international requirements, thereby making the global patent framework more consistent.
- To increase the efficiency of the patent application process.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

The IPO's consultation on proposed changes to the Patents Rules sought views on whether or not to proceed with each of the proposals. It also sought views on alternatives to legislative change in relation to one of the proposals - the majority of respondents favoured the legislative option, explaining that it provides greater clarity and legal certainty than the administrative option set out.

**Will the policy be reviewed? It be reviewed. If applicable, set review date:** 10/2021

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	<b>Micro</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)		<b>Traded:</b> N/A		<b>Non-traded:</b> N/A

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.*

**Signed by the responsible :** ..... **Date:** .....

**SELECT SIGNATORY**

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** A package of changes to the Patents Rules 2007

## FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.0	High: 0.13	Best Estimate: 0.13
<b>COSTS (£m)</b>	<b>Total Transition</b> (Constant Price) Years		<b>Average Annual</b> (excl. Transition) (Constant Price)		<b>Total Cost</b> (Present Value)
Low	0.0	1	0.0		<b>0.0</b>
High	0.0		0.0		<b>0.0</b>
Best Estimate	0.0		0.0		<b>0.0</b>
<b>Description and scale of key monetised costs by 'main affected groups'</b>					
This package of proposed changes is unlikely to lead to any significant additional costs for business or the IPO. There may be one-off costs to any patent attorneys who wish to voluntarily update their IT, records and reporting systems and procedures but these one-off costs will be outweighed by the benefits to applicants and third parties. Consultation responses provided little further monetary evidence and so we are unable to fully monetise the costs (and to do so would be disproportionate).					
<b>Other key non-monetised costs by 'main affected groups'</b>					
None					
<b>BENEFITS (£m)</b>	<b>Total Transition</b> (Constant Price) Years		<b>Average Annual</b> (excl. Transition) (Constant Price)		<b>Total Benefit</b> (Present Value)
Low	0	1	0.0		<b>0.0</b>
High	0		0.0		<b>0.1</b>
Best Estimate	0		0.0		<b>0.1</b>
<b>Description and scale of key monetised benefits by 'main affected groups'</b>					
The package will reduce burdens for both applicants and third parties by providing clarity and increasing legal certainty, thereby reducing the need to seek legal advice - it is not possible to monetise these benefits. In addition it will reduce stationary and postage costs for businesses by approx £5,000 per year, plus associated time savings. We also estimate a saving to IPO of around £10,000 per year from increased efficiency and slightly less time spent examining patent applications.					
<b>Other key non-monetised benefits by 'main affected groups'</b>					
The package will simplify legislative provisions and increase legal certainty, including for third parties looking to determine whether they can operate in a particular technology area. We are unable to monetise the possible increase in market opportunity and increase in legal certainty for third parties. Bringing aspects of UK requirements into line with international requirements will slightly reduce downstream costs for businesses filing patent applications elsewhere.					
<b>Key assumptions/sensitivities/risks</b>					<b>Discount rate (%)</b>
None					3.5

## BUSINESS ASSESSMENT (Option 1)

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>Score for Business Impact Target (qualifying provisions only) £m:</b>
Costs: 0.0	Benefits: 0.0	Net: 0.0	
			0

## Evidence Base (for summary sheets)

A summary of each measure, the key costs and benefits, and the OITO status of each follows.

**1) Allowing the IPO to give more information to customers about when their patent application will be granted, giving applicants a clearer picture of the time left for them to do certain actions (such as file a divisional application).**

Currently applicants are not made aware of the IPO's intention to grant a patent until they receive the letter confirming that grant has taken place. This causes considerable uncertainty for applicants. In particular, they are unclear about the deadline for filing any divisional patent applications. As a result, the practice of "foreshadowing" divisional applications has arisen: when filing a response to an examiner's report, applicants request that, should the application be found in order, the examiner postpone grant until the applicant has been given a further opportunity to file a divisional application. The examiner is therefore required to issue additional correspondence asking for confirmation of whether a divisional application will be filed, thereby delaying grant. There is a risk that the foreshadowing will be missed; and protracted correspondence can arise about whether particular acts or words have amounted to foreshadowing. There have also been various cases where grant has had to be rescinded because foreshadowing has been missed. This is a cumbersome process.

This measure will bring greater clarity and legal certainty to the grant process, benefitting both patent applicants and third parties. It will end the practice of foreshadowing divisional applications, as applicants will be guaranteed a period in which they can file such applications prior to grant. This will increase the efficiency of the patent application process and reduce burdens for applicants, attorneys and the IPO. The financial benefits are likely to be minimal and so it would be disproportionate to fully monetise them. One consultation response suggested there may be one-off costs to any patent attorneys who wish to voluntarily update their IT, records and reporting systems and procedures – however this will not be obligatory and these one-off costs will be outweighed by the benefits to applicants and third parties. Consultation responses provided no further monetary evidence and so we are unable to fully monetise the costs (and to do so would be disproportionate). This measure is a regulatory OUT and has been assessed as zero net cost.

**2) Prohibiting the use of an archaic and unclear form of patent claim (so-called "omnibus claims") in patent applications, except where absolutely essential. Doing this will align UK practice with that of the European Patent Office.**

Patent claims define the scope of the monopoly afforded by the patent. The claims sometimes refer generally to the description or drawings of the invention included in the patent application. Such claims do not state the technical features of the invention and are known as "omnibus" claims. Understanding these claims is difficult and can lead to a lack of clarity about the scope of protection afforded by the patent, making it difficult for third parties to know if they are likely to infringe a competitor's patent. The IPO's current practice in allowing such claims is inconsistent with (though not in breach of) the requirements of the European Patent Convention (EPC) and the international Patent Cooperation Treaty (PCT). The EPC provides a legal framework for the granting of European patents - it is separate to the EU and includes non-EU member states.

Prohibiting omnibus claims except where absolutely essential will bring UK requirements into line with these European and international requirements. It will affect the 35% of UK patent applications which currently include omnibus claims. The vast majority of granted patents in force in the UK are European (UK) patents granted by the European patent office (86% of UK patents renewed in 2014/15) and so already do not contain omnibus claims except where absolutely essential. Less than 0.04% of the European (UK) patents granted each year take up the free option of adding such claims after grant. It can be deduced from the lack of take-up that such claims do not add significant useful protection to most patents and are partly included in UK patent applications as a historical convention, and partly because they could potentially provide a fall-back position with a very narrow scope of protection. A minority of consultation respondents mentioned the benefits to patent applicants of this fall-back position.

This measure continues to allow the use of omnibus claims where absolutely necessary, thereby providing a safeguard for patent applicants and proprietors by ensuring that in the very small number of cases where an omnibus claim is the only way to clearly define the invention they will not lose protection as a result of this change in law.

We believe this measure will provide increased legal certainty for third parties looking to determine whether they can operate in a particular technology area. Consultation responses were mixed as to the extent of that benefit. The only consultation respondent to provide economic evidence indicated they would see no loss of competitive advantage from no longer being able to include omnibus claims in their UK patent applications, and no increase in market opportunity as a result of omnibus claims being banned from competitors' patents. They also thought the measure could lead to a slight reduction in downstream costs when filing overseas. No indication of the likely financial costs or benefits was provided.

Given the lack of economic evidence provided by consultation respondents we are unable to fully monetise the costs/benefits to business, and have assessed them overall as zero net cost. We estimate a saving to IPO of around £10,000 per year from the resulting increased efficiency. This measure is a regulatory IN.

### **3) Simplifying the period in which the reinstatement of a patent application can be requested.**

Where a patent application is terminated because an applicant has unintentionally failed to meet a requirement by a given deadline, it is possible for them to request that the application be reinstated. However the existing deadline for requesting reinstatement is complicated to calculate and causes confusion. It is proposed to change the deadline so that applicants simply have 12 months from termination of their application to request reinstatement. This will provide a time period which is simple to understand and apply; in many cases the time period will also be more generous than what is currently available.

This measure will provide greater clarity and legal certainty for applicants, the IPO and third parties, and will reduce an administrative burden and the need for legal advice. The majority of consultation respondents favoured legislative change, explaining that it would provide greater clarity and legal certainty than the administrative option set out in the consultation document. Consultation respondents confirmed that the measure will not lead to any additional uncertainty for third parties and pointed out that a similar provision works well in Canada. This measure introduces no additional costs on any parties, only benefits which in economic terms are likely to be small. It would therefore be disproportionate to fully monetise these benefits. This measure is a regulatory OUT which has been assessed at zero net cost.

### **4) Giving applicants more flexibility over when they can provide a legal address for service.**

All patent applicants must provide an address for service in the EEA or the Channel Islands in order for the IPO to be able to contact them about their application. Currently the period for providing this address is 2 months and the period is not extendable. We intend to introduce the option for applicants to request a 2-month extension to this period in order to provide consistency with other time periods found in the Patents Rules. This will remove an unnecessarily strict requirement which results in patent applications being refused for a minor administrative issue. It could lead to fewer requests for reinstatement, saving businesses time and money, however the impact of this measure will be negligible as only approx. 24 patent applications per year will be affected. There will be no additional costs. This is a regulatory OUT which has been assessed at zero net cost.

### **5) Permitting photographs to be filed as part of a patent application and introducing more flexibility into the types of technical drawings allowed in patent applications.**

This measure will relax the legislative requirements in relation to technical drawings to bring them in line with current IPO practice. The impact of the measure will therefore be negligible. Consultation respondents confirmed that it would nonetheless reduce costs for applicants. This measure is a regulatory OUT which has been assessed at zero net cost.

### **6) Removing the requirement for patent holders to notify the IPO annually of the address they wish to use to receive renewal reminders.**

Where a renewal fee has not been paid the IPO sends a renewal reminder to the patent proprietor. Many proprietors choose to specify an address for receipt of this reminder which is different to the address for service used for other purposes. Many continue to use the same address for renewal reminders for many years, however currently the proprietor must tell the IPO each year which address should be used for the reminder. This is inconvenient and inefficient. We therefore propose allowing the recorded address for renewal reminders to be used year on year until it is cancelled or updated.

This measure will remove the need for approx. 2000 repeat address notifications to the IPO per year, representing a saving to business of around £4000 per year in stationary and postage costs (we have not been able to monetise the associated time savings). In addition it will enable more patent holders to use the IPO's online renewal services and reduce their costs further. This measure is a regulatory OUT.

**7) Clarifying when applicants can make amendments to an international patent application which enters the UK's jurisdiction.**

International patent applications are initially processed by the World Intellectual Property Organisation under the Patent Cooperation Treaty. This 'international phase' saves duplication of effort in multiple different territories as the application is only searched once by a central international office. The applicant can then choose to continue the patent application process in individual jurisdictions, known as the 'national phase'. When an applicant chooses to continue their application in the UK national phase, IPO practice is to allow applicants to amend their patent application voluntarily in response to reports made by the international authorities. This deals efficiently with issues raised by the international authorities, speeding up the application process as a result. The Patents Rules however do not provide a period for making voluntary amendments to this type of patent application. It is therefore intended to amend the Rules so that applicants are permitted to make such amendments if they so wish.

This measure will bring the legislation into line with current IPO practice, providing clarity and legal certainty for business. It will also bring UK law more clearly into line with international obligations. Any economic benefit is likely to be negligible. This measure is a regulatory OUT which has been assessed at zero net cost.

**8) Clarifying the requirements concerning changes of names and addresses.**

*[Trivial/Mechanical]*

**9) Correcting the drafting of the rule concerning advertising amendments made during infringement and revocation proceedings. *[Trivial/Mechanical]***

**10) & 11) Removing certain requirements for multiple copies of documents.**

International applications can be filed at the IPO and are then transferred to the European Patent Office (EPO) and International Bureau (IB) for processing. The Patents Rules require that such applications are filed at the IPO in triplicate. This reflects previous practices where all applications were filed on paper and a copy was kept by each of the IPO, the EPO and the IB. Since all such applications are now transferred to the EPO and IB electronically, there is no practical need (or any legal requirement under the Patent Cooperation Treaty) for triplicate copies to be filed at the IPO. For applications filed electronically at the IPO, the Rules do not require triplicate copies of the application to be filed. We therefore intend to remove from the Rules the requirement for triplicate copies of international applications when filed on paper.

Where a patent applicant appoints an agent to act on their behalf or makes a request to change their appointed agent, the Rules require duplicate copies of Patents Form 51 to be filed with the IPO. Since the introduction of electronic case files at the IPO, there is no longer any practical requirement for this form to be filed in duplicate. It is therefore intended to remove the requirement for duplicate copies of Form 51 from the Rules.

These two measures will result in potential cost savings to business of £718 per year and are regulatory OUTs.