EXPLANATORY MEMORANDUM TO

THE PATENTS (AMENDMENT) (NO. 2) RULES 2014

2014 No. 2401

1. This explanatory memorandum has been prepared by the Intellectual Property Office, an Executive Agency of the Department for Business, Innovation and Skills, and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument makes changes to the Patents Rules 2007, which set out procedural and administrative requirements applying to patents and patent applications.

2.2 The changes are necessary to set out the scope of the newly expanded Patent Opinions Service, and to specify the period within which outstanding fees must be paid following the restoration of a previously revoked European patent (UK). This instrument also makes a minor clarification to a rule relating to the deadline for filing a new patent application based upon material contained in an earlier application.

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

3.1 None.

4. Legislative Context

4.1 The principal statute on patents is the Patents Act 1977 (c.37) ("the Patents Act"). The Patents Rules 2007 ("the Patents Rules") are the main piece of secondary legislation made under the Patents Act, and they regulate the business and procedure of the Patent Office, operating as the Intellectual Property Office ("IPO"). Amongst other things, this Office examines patent applications, grants patents and is a quasi-judicial body with jurisdiction over certain legal proceedings concerning patents. The Patents Rules prescribe many periods in connection with the processes for applying for and maintaining patent rights, and for resolving disputes over those rights.

4.2 The Intellectual Property Act 2014 (c.18) ("the IP Act") received Royal Assent on 14 May 2014, and many of its provisions will be commenced on 1 October 2014. In particular, section 16(1) of the IP Act amends section 74A of the Patents Act, so that the matters in relation to a patent upon which an opinion can be requested from the IPO will be set out in rules rather than in the Patents Act itself. This instrument uses that power for the first time to set out in the Patents Rules the grounds on which a patent opinion can be sought – thereby expanding the scope of the IPO's Patent Opinions Service.

4.3 Paragraph 6 of the Schedule to the IP Act amends section 77 of the Patents Act, allowing the Patents Rules to specify a period for payment of any outstanding fees relating to a previously-revoked European patent (UK) which has subsequently been restored by the European Patent Office. This instrument contains provisions which specify that period (as two months following restoration) and which specify the detailed procedures which apply in the event payment is not received in that timescale.

4.4 This instrument also makes a minor clarification to a rule relating to the deadline for filing a new patent application based upon material contained in an earlier application.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom. The provisions of the Patents Act extend to the Isle of Man (subject to modifications made by Order in Council). This instrument therefore applies to the Isle of Man, although the provisions it contains relate solely to procedures at the IPO.

6. European Convention on Human Rights

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

7. Policy background

- What is being done and why

7.1 The IPO launched the Patent Opinions Service in 2005 to help businesses resolve patent disputes by providing a quick and affordable assessment relating to the validity or infringement of patents. An opinion, although non-binding in nature, can assist in resolving a dispute before it escalates into full litigation. Where litigation is unavoidable, an opinion can help the parties to better focus their case and thus save time and money.

7.2 Until now, the IPO has only been able to issue opinions on the questions of (a) whether a patent is or would be infringed and (b) whether a patent is invalid because the invention is not novel or does not involve an inventive step. Given the success of the Patent Opinions Service since its introduction, the IP Act allows for the service to be expanded to provide opinions on a much wider range of patent disputes, and also on Supplementary Protection Certificates (which effectively extend patent protection for certain types of patented products in certain circumstances). This instrument sets out in rules the scope of that expanded service.

7.3 A renewal fee has to be paid annually to keep a patent in force in the UK. Until now, in one very rare situation where a European patent (UK) has been revoked and is later restored by the European Patent Office there has been nothing in the legislation which requires the patent owner to pay UK renewal fees for the period when the patent was revoked. This situation is so rare that between 2007, when the possibility first arose,

and 31 August 2014, only three European patents (UK) have ever been affected. Businesses finding themselves in this very particular situation generally wish to pay these fees in order to be in no doubt that their restored patent properly remains in force. The IP Act amends the Patents Act to ensure that there is a clear legal requirement setting out when these fees must be paid, the details of which are included in this instrument. This will provide legal certainty as to what is required to keep such patents in force, reduce the possibility of a later legal challenge to such patents, and may lead to a reduction in legal costs for the businesses involved.

7.4 S.I. 2014/578 amended rule 19 of the Patents Rules, which governs procedure for filing a "divisional application" – an application for a patent based upon material contained in an earlier application. The intention of S.I. 2014/578 was that only an examiner's report issued under section 18 of the Patents Act (as opposed to one issued under any other section) would be relevant under rule 19(4) to the deadline for filing a divisional application. This is clear from the Explanatory Note to that S.I., however it was not explicitly stated in rule 19(4) itself. This instrument therefore amends rule 19(4) to make this clear. As this is a minor clarification being made in an instrument which also introduces new amending provisions, the procedure for free issue has not been applied.

- Consolidation

7.5 No consolidation of the amended instrument is planned at present. An informal consolidated text of the Patents Rules 2007 is available to the public for free on the gov.uk website.[1]

8. Consultation outcome

8.1 Extensive consultation was carried out before the provisions of the (then) IP Bill were put before Parliament. However, a further public consultation was conducted from 2 June 2014 to 4 July 2014, seeking views on the proposed changes to the Patents Rules in relation to the expansion of the Patent Opinions Service and the payment of renewal fees following restoration of a European patent (UK). All four responses received were entirely supportive of the proposals relating to the expansion of the Patent Opinions Service. Three of the four responses were supportive of the proposals relating to the payment of renewal fees following restoration of a European patent (UK). A more detailed analysis is available on the gov.uk website.[2]

8.2 Given the nature of the minor clarification to rule 19(4), no formal consultation has taken place.

[1] https://www.gov.uk/government/publications/the-patents-rules-2007-and-patents-fees-rules-2007
[2] https://www.gov.uk/government/consultations/amendment-of-the-patents-rules-2007

9. Guidance

9.1 The IPO has published guidance for businesses and other users.[3] Other IPO guidance for users will also be updated to reflect the changes made.

10. Impact

10.1 As the changes made by this instrument relate to optional services which businesses, charities and voluntary bodies are not required to use, there is no direct impact on those bodies unless they wish to use these services. There may be benefits to those bodies should they choose to use these services.

10.2 The impact on the public sector is restricted to the implementation of the changes and ongoing operation of these services at the IPO.

10.3 An Impact Assessment relating to the expansion of the Patent Opinions Service is attached to this memorandum and will be published alongside the Explanatory Memorandum on the legislation.gov.uk website. This was prepared for the IP Act and the figures relating to costs and benefits remain up-to-date.

10.4 An Impact Assessment has not been produced for the other elements of this instrument. No, or no significant, impact on the private, voluntary or public sectors is foreseen by the provisions in this instrument relating to the payment of renewal fees on restored European patents (UK). The minor clarification to rule 19(4) of the Patents Rules has no impact on the private, voluntary or public sector as it makes a correction so that existing legislation has the effect which the IPO and users already understood it to have.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 The Patent Opinions Service is an optional service which small businesses are not required to use. Where they choose to use this service there may be a benefit to them. Similarly, clarification of the legal position regarding renewal fees for restored European patents (UK) and the deadline for filing a new patent application based upon material contained in an earlier application will provide legal certainty and therefore be beneficial to all businesses, including small business. For these reasons small businesses are not exempted from the changes.

12. Monitoring & review

12.1 The IPO will monitor and evaluate the impact of these changes on an on-going basis. A post-implementation review of the IP Act will also take place within 5 years of implementation (i.e. 2019).

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[3] https://www.gov.uk/government/collections/1-october-2014-changes-to-design-and-patent-law

13. Contact

James Porter at the IPO (an executive agency of the Department for Business, Innovation and Skills), Tel: 01633 814521 or email: james.porter@ipo.gov.uk , can answer any queries regarding the instrument.