



***CONSULTATION PAPER ON
THE PROPOSED PATENTS ACT
(AMENDMENTS) BILL***

**Intellectual Property Policy Directorate
The Patent Office
Department of Trade & Industry
29 November 2002**

CONSULTATION

PROPOSED PATENTS ACT (AMENDMENT) BILL

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CONSULTATION PAPER

PROPOSED PATENTS ACT (AMENDMENT) BILL

A. SUMMARY

Subject

1. This consultation paper sets out proposals for amending the Patents Act 1977 (“the Act”) in order to give effect to the revised European Patent Convention, which was agreed in November 2000 (“EPC 2000”). It also describes other proposals for changes to the Act.

Purpose of the consultation and who is being consulted

2. The purpose of this consultation is two-fold. Firstly, we aim to inform the public of the effect of EPC 2000 on the Act and to seek views on the proposed changes that follow from that effect. Secondly, a number of other changes to the Act are proposed, and we also seek views on these proposals. We wish to take full account of the public’s opinion and responses will be welcome from anyone interested in the operation of the patent system in the United Kingdom, but especially from those who have been, are, or expect to be users of the system.

3. A draft Regulatory Impact Assessment is provided at Annex A. Interested parties are asked to comment on the impact of the proposed measures in the consultation document, giving quantitative information wherever possible, particularly for proposals outlined under Parts C, D and E of the document. This data will be critical in establishing the case for subsequent legislation.

4. Copies of this consultation document have been sent to the individuals and organisations listed in Annex B. Further copies may be obtained in electronic form from the Patent Office Web-site at www.patent.gov.uk and in paper form by contacting:

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Concept House,
Cardiff Road,
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NP10 8QQ

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5. This consultation document has been prepared in accordance with the Government Code of Practice on Written Consultations. The Code criteria are set out in Annex C.

Summary of proposals

6. The proposals contained in this consultation document are presented in several parts. The primary purpose of the proposed Bill is to take account of the effect of EPC 2000, and Part II contains proposals regarding the effect of EPC 2000 on the Act. This part of the consultation does not cover whether we should give effect to the revised EPC, but asks for comments on its effect on the Act.

7. We propose to use the Bill to make certain other changes and improvements to the Act. Parts III to V of the consultation document therefore contain proposals for changes to the Act which are not required for implementation of EPC 2000. These parts of the consultation cover both whether these changes should be made, and (if so) how they should be affected. The proposed changes fall into three broad categories: Part III deals with proposed changes which relate closely to or follow from the EPC-based changes set out in Part II, Part IV sets out proposed changes relating to enforcement and post-grant issues, and Part V discusses proposals relating to modernisation of the Act.

How and when to respond

8. Please send your responses by **21 February 2003** to:

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The Patent Office
Concept House
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9. If you are responding on behalf of a representative group, please give a summary of the people and organisations that you represent.

10. If you have any comments or complaints about how this consultation process is being handled, please tell the Patent Office's Consultation Co-ordinator, whose details are included in Annex C.

Openness

11. This is part of a public consultation exercise. As such, your responses may be made public unless you make clear in responding that you want them to remain confidential.

B. EFFECT ON THE PATENTS ACT 1977 OF THE REVISION OF THE EUROPEAN PATENT CONVENTION IN NOVEMBER 2000 (“EPC 2000”)

Introduction

12. One of the main reasons for the introduction of the Patents Act 1977 (“the Act”) was to give effect to the European Patent Convention. Changes to the EPC were agreed at a diplomatic conference in November 2000, held in Munich, and the new text of the EPC was adopted by decision of the EPO Administrative Council on 28 June 2001. This new text, which we shall refer to as “EPC 2000”, can be accessed at www.european-patent-office.org/epo/dipl_conf/documents.htm

13. It follows that, in line with our obligations as a member of the European Patent Organisation, the UK must give effect to EPC 2000 in its domestic patent law. This part of the consultation paper deals with the changes to the Act which we regard as necessary to do this. This part of the consultation does not therefore cover whether we should give effect to the EPC, but asks for any comments on the effect of EPC 2000 on the Act. In giving effect to EPC 2000 we propose as far as possible to reflect its provisions in the Act.

14. We are working to ensure that the amendments to the Act implementing the changes resulting from EPC 2000 come into force at the same time as the provisions of EPC 2000. The provisions of EPC 2000 come into force no later than 2 years after the 15th Contracting State ratifies or accedes. At the date of this consultation, 4 Contracting States have acceded.

15. The following paragraphs in this section will now discuss in detail the effect on the Act of each of the relevant provisions of EPC 2000. The Articles of the revised EPC text will be referred to in this consultation paper as “EPC 2000” and Articles of the current text as “EPC”. References to “sections” are to sections of the Act, unless otherwise stated.

Article 52(1) - Conditions for patentability

16. Article 52(1) EPC 2000 sets out the basic conditions for patentable inventions and amends current Article 52(1) EPC to make clear that patents shall be granted for inventions “in all fields of technology”. This change is intended to bring Article 52(1) EPC into line with Article 27(1) of the TRIPS Agreement and so enshrines “technology” as a fundamental of the EPC, making plain that patent protection is available for all technical inventions. This change can be viewed as making a general statement on patentability which is subsequently made more specific by the list of excluded items given in Article 52(2) EPC. As such, the change does not seem to lead to any substantial modification to the scope of what is considered patentable. Nevertheless, it is proposed to amend section 1(1) of the Act in a corresponding manner, in order that it is clearly seen to have the same general effect as Article 52(1) EPC 2000.

Article 52(4) - Exceptions to patentability: methods of treatment etc

17. Article 52(4) EPC currently states that methods of treatment and diagnosis are lacking in industrial application. Since this is regarded as something of a legal fiction – such methods really being excluded from patentability in the interest of public health – the exclusion has been recreated in new Article 53(c) EPC 2000. This takes in essence the wording of Article 52(4) EPC but makes clear that such methods are regarded as excluded from patentability, rather than lacking industrial applicability. Such an approach is also regarded as more consistent with Article 27(3)(a) of the TRIPS Agreement, which allows for such methods to be excluded from patentability. The change is thought to have no effect on practice under the EPC.

18. Nevertheless, it is proposed that this change should be reflected in the Act by dealing with methods for treatment and diagnosis as an exception to patentability in section 1 of the Act, rather than in sections 4(2) and 4(3), which deal with industrial applicability. The effect of this would be to better reflect the reasoning for the exclusion, without leading to any change in practice.

19. In dealing with the changes to the EPC on patentability and exceptions to patentability, we propose to follow closely the approach of the EPC. This may result in recasting sections 1 and 4 of the Act so that they reflect much more closely the wording of the EPC. This would not lead to any change in current UK practice, but would significantly lessen the prospect of any possible future divergence in practice between the EPC and national law.

20. Given that the changes proposed in connection with Articles 52 and 53 EPC 2000 are concerned with better reflecting current practice, and better reflecting consistency with the EPC, no specific transitional provisions are thought necessary. The changes would simply come into effect immediately on the date that the amendments to the Act come into force.

Article 54(3) – Novelty

21. Article 54(4) EPC currently states that European applications published after the date of filing of a later application would only anticipate that later application in respect of Contracting States which were designated on both applications. This provision has now been deleted, so that the state of the art for a European application or patent under Article 54(3) EPC 2000 is no longer qualified by the conditions of Article 54(4) EPC, and so now includes all prior European applications irrespective of designations. The purpose of this change was to simplify a provision which had become of only very limited value (particularly given the frequency with which applicants would designate all Contracting States).

22. By contrast, section 2(3) of the Act includes prior European applications, but only those that designate UK at their filing date. This arises because - following from section 78(2) - only European applications which designate the UK are applications under the Act and therefore have effect under section 2(3). However, Article 79(1) EPC 2000 (see paragraphs 41 and 42, later) now states that at the filing date of a

European application, all contracting states are deemed to be designated. The practical effect is that all European applications would seem to fall within the Act's definition of an application for a European patent (UK) and so all European applications will form part of the state of the art under section 2(3). In other words, there will be no divergence between the effects of Article 54(3) EPC 2000 and section 2(3) and so no amendment of either section 2(3), 78(2) or 78(5A) seems necessary.

23. That said, Article 79(3) EPC 2000 allows for withdrawal of designation of a state at any time up until grant, and this includes withdrawal of that designation on filing of the application. We believe this could create some uncertainty as to whether that state was actually designated at all, or whether it was deemed to be designated on filing and then withdrawn. We would not wish for this potential uncertainty to lead to any uncertainty over which European applications form part of the state of the art under section 2(3), and so we propose to state explicitly (for example in section 78(5A)) that the state of the art defined by section 2(3) includes all applications for European patents irrespective of whether the UK is, or has been, designated. It may also be useful to clarify that the occurrence of any of the events mentioned in section 78(5)(a) would not affect the continued operation of section 2(3) in relation to matter contained in a European application which had already become part of the state of the art under section 2(3).

24. Therefore it will be clear that all European applications fall within the state of the art under section 2(3), regardless of whether the UK designation is withdrawn on the date of filing, or at any time later. The effect of this proposal will be to increase slightly the scope of what constitutes prior art under section 2(3). The practical effect is nevertheless thought to be limited, owing to the high proportion of European applications which designate the UK on filing at present, and therefore fall to be considered as prior art under section 2(3). As far as transitional provisions are concerned, it is suggested that European applications filed on or after the date that the amendments to the Act come into force would be regarded as falling under the new provision.

Article 54(5) – Further medical use

25. Article 54(5) EPC precludes a claim to a substance or composition characterised by a medical application if that product had already been described for another medical use ('further medical use' or 'second medical use' claims). Therefore, in order to claim an invention which involves second or subsequent medical use of a known substance or composition, it has been necessary under the EPC for the claims to be expressed in a form known as 'Swiss-type' claims (because the EPO followed a precedent first set by the Swiss Patent Office). 'Swiss-type' claims are those directed to the use of a substance or composition for the manufacture of a medicament for a specified new and inventive therapeutic application, i.e. "Use of X for the manufacture of a medicament for the treatment of Y". However, Article 54(5) EPC 2000 will now allow for claims to second and further medical uses of known substances or compositions, and so avoids the need for such claims to be expressed as 'Swiss-type' claims.

26. Section 2(6) of the Act implements the current Article 54(5) EPC. It is therefore proposed to amend this section to reflect as exactly as possible the new position under EPC 2000. The effect would be to allow further medical use claims in UK law, while not precluding the possibility of ‘Swiss-type’ claims.

27. It is proposed that the new provision would apply to any application filed on or after the amendments to the Act came into force, and would also apply to any application pending before the Office at that date. We shall be considering what effect (if any) Article 54(5) EPC 2000 would have on an application to amend the claims of an existing patent to include a further medical use claim.

Article 65 – Translation of a (limited) European Patent

28. New Articles 105a-c EPC 2000 have created a procedure for the limitation of the scope of a European patent. European patents may now be centrally limited by amendment of the claims (and also centrally revoked - see the discussion under Articles 105a-c in paragraphs 43 and 44, later).

29. One consequence is that Article 65 EPC 2000 provides that Contracting States may require a translation of the patent as granted, amended or limited within a specified time after grant, amendment or limitation. It is therefore proposed that section 77(6)(b) be amended to recognise the new concept of limitation alongside that of amendment, thus allowing the UK to require translations of a limited European patent before that limitation has effect under the Act. This is therefore identical to the way in which translations of an amended European patent are required at present. The effect will therefore be that European patents will be subject to the translation requirements, whether amended or limited. (Note: even though limitation could be said to be a form of amendment, and thus to fall within the scope of section 77(6)(b) as it stands, amendment and limitation are referred to separately throughout EPC 2000 and it is proposed to do the same in the Act).

30. No transitional provisions appear necessary – the provision will simply apply to all European patents as limited under the new regime.

Article 68 – Effect of limitation

31. Article 68 EPC currently sets out the retrospective effect of revocation of a European patent in opposition proceedings. The Article has been amended by EPC 2000 to make clear that this retrospective effect also applies both to national revocation proceedings and to the new concept of limitation.

32. In the UK, revocation has always had effect retrospectively from the date of grant of the patent – so we propose no change to the Act in this respect.

33. As far as limitation by amendment is concerned, the retrospective effect of amendments made post-grant under UK law generally comes from sections 27(3) and 75(3). Section 77(4) then sets out that these provisions have the same effect for European patents which have been amended under the EPC as for patents that have

been amended under the Act. Hence it is proposed to amend section 77(4) to ensure that both limitation and amendment of a European patent have the same, retrospective, effect in UK law.

34. No transitional provisions appear necessary – the new provision will apply to all limitations of European patents.

Article 69 and its Protocol – Extent of protection (doctrine of equivalents)

35. A minor change to Article 69(1) EPC (from “determined by the terms of the claims” to “determined by the claims”) was made as a result of inconsistencies between the meanings of the phrase in the three official languages. No change in practice is thought to result, and no change seems to be required to the rather differently-worded section 125(1), even though section 125 is tied to the EPC by section 130(7).

36. Article 69(2) EPC deals with the retrospective ‘provisional protection’ afforded by a European patent between publication of the application and grant. The Article has been changed to make clear that limitation of the patent retrospectively limits the extent of any provisional protection, in the same way that amendment of the patent has always done. Section 69(2) of the Act is the corresponding provision which governs provisional protection, and is rather differently worded, since it does not mention amendment or limitation of the patent. However, amendment post-grant takes effect retrospectively from the date of grant (sections 27(3) and 75(3)) and so such amendments would automatically fall within section 69(2). Furthermore, since section 69(2) has effect for European patents by virtue of section 77(4), the proposed change to section 77(4) in paragraph 33 earlier will ensure that both amendment and limitation of a European patent have the required effect on provisional protection under section 69(2). As a result, we do not propose to amend section 69(2).

37. As far as the Protocol on Article 69 is concerned, minor clarifications are made to paragraph 1 of the Protocol, but the change of substance is the introduction (by way of a new paragraph 2) of a doctrine of equivalents. When determining the scope of protection afforded by the claims, due account is to be taken of equivalents to any element contained in the claims. Section 125(3) of the Act gives the Protocol effect in the UK, and again this is one of the sections which by virtue of section 130(7) must remain in step with the EPC. Section 125(3) refers to the Protocol “as for the time being in force” and thus there does not appear to be any requirement for a specific change to be made to the Act to implement the revised Protocol.

Article 77 – Forwarding of EP applications

38. Article 77(5) EPC previously stated that European applications would be considered withdrawn if they “do not reach” the EPO within a deadline. This was felt to be inconsistent with the wording of the rest of the Article (including the title) which referred to the “forwarding” of applications to the EPO. Therefore to ensure consistency, the wording of Article 77(3) EPC 2000 (which replaces old Article 77(5) EPC) has been revised so that it now refers to an application being withdrawn if it is

“not forwarded” to the EPO by the relevant receiving office. This does not seem to be regarded as having an effect on how this provision works in practice.

39. The equivalent provision is reflected in section 81(1)(b), which presently uses the terminology consistent with Article 77(5) EPC – i.e. the phrase “not...been received”. It is proposed to amend section 81(1)(b) to use the same terminology as new Article 77(3) EPC 2000. We do not foresee any significant effect arising from making such a change.

40. We would suggest that the new provision would apply to any European application filed on or after the date of coming into force of the amendment to the Act. (It should be noted that a further change to section 81(1) is required - see the discussion of Articles 159 - 163 EPC in paragraph 53 later.)

Article 79 – Designations

41. Article 79 EPC requires on filing of a European application the positive designation of each Contracting State in which the applicant requires protection (with over seven designations being deemed an effective designation of all states). Article 79(1) EPC 2000 now sets out that all EPC states will be deemed to be designated at the date of filing. Under Article 79(3) EPC 2000, any designation may be withdrawn up until grant of the European patent, and this includes the possibility of withdrawing a designation at the outset, upon filing of the European application.

42. It follows from this change that the definition in section 130(1) of “application for a European patent (UK)” no longer makes any kind of distinction between European patent applications. Our view is that this does not appear to matter for the Act, but the definition in section 130(1) ought to be clarified to reflect the deemed nature of designations under Article 79(1) EPC 2000, and to reflect the fact that withdrawal of a designation does not stop a European application from falling within the definition, even if that withdrawal is effected on the date of filing of the application. The definition of “designate” in section 130(1) does not, in our view, need amendment.

Articles 105a to 105c – Limitation or revocation

43. These new Articles introduce new central limitation and central self-revocation procedures under the EPC. At the request of the proprietor, a European patent may now be centrally limited by amendment of the claims, or centrally revoked. Central limitation differs from amendment under the EPC, which continues only to be allowable as part of opposition proceedings. Paragraphs 28-34 earlier have already discussed how the concept of central limitation needs recognising in sections 77(4) and 77(6)(b) of the Act. It is proposed that section 77(2) should also contain a reference to limitation for consistency, and in order to make clear that provisions of the Act do not affect the operation of the new limitation procedure as set out in any of the provisions of the revised EPC. As with the other provisions connected with limitation, discussed earlier, there appears to be no need for transitional provisions. The amended section 77(2) will simply apply to all European patents as limited.

44. Section 72(4) of the Act allows for the court or the comptroller, in revocation proceedings, to offer the proprietor a chance to amend the patent under section 75 if it seems that the patent is only partially invalid. It is suggested that section 72(4) could be amended so that in the same situation the court or the comptroller may have the option of offering the proprietor a chance to make an application to the European Patent Office for limitation under Article 105a EPC 2000. If so, we propose that the provision would apply to all patents in force on the date on which the amendment to the Act came into force, and so the provision would apply to revocation proceedings in which a final decision had not been issued on or before that date.

Article 112a – Review by Enlarged Board of Appeal

45. Article 112a EPC 2000 introduces a new review procedure whereby any party adversely affected by a decision of the EPO Board of Appeal may apply, on certain specified grounds, to the Enlarged Board of Appeal for a review of the decision. Article 112a(6) EPC 2000 provides for third-party terms which protect third parties in a Contracting State who have “in good faith used or made effective and serious preparations for using” an invention in the time between loss of patent rights by a Board of Appeal decision, and a subsequent revival of those rights by the Enlarged Board review. It is proposed that these third party rights are set out in the Act, since infringement is a matter of national law.

46. An amendment may be required to both sections 77 and 78 to ensure these rights are carried through into national law. (This is somewhat analogous to the existing third-party terms set out in Article 122(6) EPC, concerning the re-establishment of rights following a missed time limit by the applicant/proprietor. The provisions of this Article are replicated in sections 77(5) and 78(6) of the Act). No transitional provisions appear necessary.

Article 138 – Limitation of patent in national proceedings

47. Article 138 EPC 2000 introduces the right of a proprietor to limit his European patent by amendment of the claims in national proceedings relating to the patent’s validity. From a UK perspective, post-grant amendment under section 75 (which has effect for European patents by virtue of section 77(1)) has always been possible during proceedings where validity has been put at issue. This of course has included amendments which limit the scope of the claims. However, under section 75(1), the right to amend is subject to the court or comptroller’s discretion, so that (alongside substantive issues), matters such as the conduct of the proprietor can be taken into account. The existence of this discretion was recently confirmed by the Court of Appeal in *Kimberly-Clark Worldwide Inc. v Procter & Gamble Ltd* [2000] RPC 422. It follows from new Article 138 that a change is required to section 75(1) to remove this discretion of the comptroller or the court in respect of an amendment to the claims which limits the scope of protection conferred by the patent. The effect of this would be that a proprietor would have the right to make a limiting amendment of a European patent by amending the claims.

48. Section 75 applies both to European patents (UK) and to national patents, and it is only obligatory to give the right to limitation by amendment in respect of the former. Nevertheless, it is proposed that the effect should be carried across uniformly; hence the opportunity to limit the scope of the claims of any EP(UK) or national patent would be available as of right in proceedings where validity has been put at issue.

49. Amendment under section 27 does not take place in the context of a validity challenge, so removal of discretion here is also not obligatory. Again, however, it is proposed that there should be uniform treatment of post-grant amendment and so we propose that the right to limitation by amendment of the claims should be made explicit in section 27(1).

50. We suggest that the right to limitation of a European patent or a national patent, either under section 27 or 75, would apply to all patents which are in force on or after the date on which the Act comes into force. In Part III of this consultation document, at paragraphs 62-65, we discuss the broader question of whether we should remove entirely the discretionary nature of post-grant amendment under sections 27 and 75.

Article 149a – Other agreements between Contracting States

51. This Article provides the new legal basis for future special agreements between some or all of the Contracting States. No corresponding measure appears necessary in the Act in view of the wide scope of section 130(6) to recognise further international agreements. At some point in the future amendment will be required to the definition of “court” and “relevant convention court” in section 130(1) in order to recognise the jurisdiction of a European patents court set up under any future special agreement. However, we propose that no change be made to these definitions at present.

Articles 150-158 – Euro-PCT applications

52. These re-drafted provisions on Euro-PCT applications do not appear to have any repercussions for the operation of section 79, and therefore in our view no amendment is required. However, new Article 153(2) EPC 2000 introduces the term “Euro-PCT” as short-hand for an international application which designates or elects “European patent”. It is suggested that similar recognition or definition of the term “Euro-PCT” in section 79 might prove useful.

Articles 159-163 – Transitional arrangements

53. These transitional provisions concerned with the setting up of the EPO and other related matters have been deleted from the EPC. There appear to be no consequences for the provisions of the Act, with the one following exception. Articles 162(2)-(4) EPC contained provisions allowing for the progressive expansion of the EPO by restriction of applications in certain fields of technology, and

conversion of those applications to national filings. The possibility of restricted processing and conversion is reflected in sections 81(1)(a) and 81(2)(a) and it is therefore proposed that these provisions should be deleted. No transitional provisions appear necessary.

Section 130(7) of the Act

54. Section 130(7) provides that certain sections of the Act “are framed so as to have, as nearly as practicable, the same effects in the United Kingdom as the corresponding provisions of the European Patent Convention, the Community Patent Convention and the Patent Co-operation Treaty have in the territories to which those Conventions apply”. Whilst we do not propose any change of substance to this principle, we shall be reviewing section 130(7) in relation to references to the Community Patent Convention in accordance with our proposals in paragraphs 142-145, below.

C. PROPOSED CHANGES RELATED TO OR FOLLOWING FROM EPC 2000-BASED CHANGES

Introduction

55. This section of the consultation document discusses proposed changes which relate to or follow closely from the EPC-based changes set out in Part II. Although not essential for implementation of EPC 2000, most of these changes remove inconsistencies between UK law and the EPC and so ensure that practice under the two regimes is as closely-matched as possible. One other proposed change is concerned with deemed designations under the PCT, but follows closely a proposed change concerning the deemed nature of designations under EPC 2000. Unless otherwise stated, references to particular rules or “the Rules” in the following paragraphs are to the Patents Rules 1995, as amended.

Confidentiality of inventor details

56. Under the current EPC and EPC 2000, an inventor may request that his details do not appear on the front page of the A- or B-specifications, on the Register of European patents, or in the part of the patent application file that is open to public inspection (see EPC rules 18(1), 92(1)(g) and 93(c), respectively). Under UK law, an inventor’s name and address will appear on the Register, but an applicant may request for the inventor’s address only to be removed (see rule 44(2)). Also, the inventor’s name is included on the front page of A- and B-specifications, although we have in the past occasionally withheld this information when requested to do so by the inventor before preparations for publication are complete. Rule 94(1) makes clear that the comptroller may treat most documents filed at the Office as confidential when requested to do so, but this does not extend to the Patents Forms. Therefore, regardless of the above options, the inventor’s name and address is always available for public inspection on the file of a published patent application or patent (either on Form 1/77 or Form 7/77).

57. We would like to gauge whether users wish to see UK practice brought into line with the EPC in this respect, or whether the existing approach achieves the right balance between protecting inventors and protecting third party rights. If a change is desired, we need to consider whether a change to the Act is required to achieve this.

58. The ability for an inventor’s address to be suppressed from the Register was introduced in 1999 following consultation and a number of representations to the Office asking for such an option so that inventors would not be subject to unsolicited mail or unwanted publicity, and because of concerns over the safety of inventors who work in controversial areas of technology. It can be argued that this balances a reasonable level of privacy for the inventor whilst leaving intact the right of third parties to find out inventor details such as name, address and relationship with the applicant by inspecting the Form 7/77 on file.

59. On the other hand, it can be argued that the current provisions do not provide enough protection for inventors. Although inventor details can be removed from the

easiest sources of access to the information, those details are still entirely public information. Furthermore, it may not be difficult for a determined party to find personal details simply based on the inventor's name and his employer's (the applicant's) address. By following the EPC, we would allow an inventor's name and address to be removed entirely from the public domain. If so, we suggest that this could require a new section (or sub-section) in the Act as well as rules having the effect of those made under the EPC - which would provide for inventor details to be omitted from the A- and B-specifications, the Register and the open part of any patent application file.

60. Such a change would of course affect the inventors themselves – who would then be able to have absolute certainty that their details could not be found out. It would also affect applicants – since an inventor could request for his details to be suppressed regardless of the applicant's wishes. Alternatively, we could follow the EPC proposals, but leave it to the applicant to make the request on behalf of the inventor, thus leaving the applicant with more control of his application. Third parties would also be affected and in particular it could be argued that the rights of third parties to question inventorship and entitlement are prejudiced unless full access to inventor details and the relationship between the inventor and the applicant are available to all. There is a particular concern that rightful inventors who suspect they have been omitted by the applicant could find it impossible to ascertain the inventorship details on an application. It may also limit the ability of third parties to search patent databases using inventor names.

61. If this change were to be taken forward, we would propose that any new provisions would apply to all applications for which preparations for A-publication were not yet completed on the date of the provisions coming into force.

Discretion to amend post-grant

62. In paragraphs 47-50 we propose to give the proprietor the right to limit a patent by amendment after grant. This would apply both to EP(UK) patents and national patents, and would apply to limitation by amendment under sections 27 and 75. Amendment by limitation would not involve any consideration of the proprietor's conduct and thus differs from the power to amend as currently set out in the Act, which enables the comptroller or the court (alongside substantive matters) to take account of the conduct of the proprietor when considering whether to allow the amendments (as recently confirmed by the Court of Appeal in *Kimberly-Clark Worldwide Inc. v Procter & Gamble Ltd* [2000] RPC 422). Factors commonly taken into account include whether the proprietor has unreasonably delayed in seeking to make an amendment, sought to gain an unfair advantage from a patent which they knew ought to be amended, and made full disclosure of all relevant matters.

63. The question therefore arises whether we should remove entirely the ability of the court or the comptroller to take account of the proprietor's conduct when exercising discretion to allow post-grant amendment under sections 27 and 75. If we don't, then we are left with a more complex system of post-grant amendment in which amendments which do not limit the scope of the claims may be refused on grounds of the proprietor's conduct, but any other (limiting) amendments may not be so refused.

64. If discretion on grounds of conduct is removed entirely, the proprietor will have a right to amend regardless of previous conduct and the amendment will be accepted provided it meets the substantive requirements (i.e. defines a patentable invention under section 1(1), is industrially applicable under section 4, does not add matter under section 76(3)). The same criteria for allowing the amendment would apply regardless of the nature of that amendment. It follows that anyone opposing any type of amendment would not be able to oppose on the grounds of the proprietor's conduct (although see paragraphs 66-69, below). This proposal would make the possibility of amendment easier for the proprietor, and would provide for a consistent and simpler approach to post-grant amendment than partially retaining discretion for certain types of amendment. On the other hand, third parties may feel that the conduct of a patentee ought to be taken into account – particularly where that conduct has unfairly prejudiced the third party's attempts to invent around a patent.

65. If this proposal were to go ahead, we would suggest that the new right to amend a patent, either under section 27 or 75, would apply to all patents which are in force on or after the date on which the amendment to the Act comes into force.

Opposition to amendments and corrections

66. At present, anyone may oppose a request to amend or correct a patent after grant. This right is given by section 27(5) in the case of an amendment at the proprietor's initiative, and by section 75(2) in the case of an amendment which is proposed during revocation or infringement proceedings. Even with the present requirement for the conduct of the proprietor to be taken into account, oppositions in relation to amendments made under section 75 are relatively rare – because the parties who would be interested in opposing are usually a party to the revocation or infringement proceedings anyway. If it were no longer possible to oppose an amendment on grounds of conduct, then this removes a substantial basis on which an opposition to the amendment could be made – so such actions are likely to become rarer still. Oppositions in relation to amendments made under section 27 are more common, but again if the conduct of the proprietor is removed as a factor in allowing amendments, a major reason for opposing those amendments would seem to be removed too.

67. The question is therefore raised: if conduct is no longer a factor to be taken into account in relation to an application to amend, should we also remove the facility to oppose amendments? It is clear that if the proprietor's conduct is removed as a factor then opposition loses some of its effectiveness, but it could be argued that there would still be plenty of scope for a party to oppose an amendment (on grounds of patentability, added matter and other substantive issues) and so the facility to oppose should remain. On the other hand, if a proposed amendment under section 75 resulted in the patent falling foul of any of these matters, this could be resolved as part of the revocation or infringement proceedings – particularly since the party concerned would usually be party to those proceedings already. Furthermore, if a proposed amendment under section 27 resulted in the patent falling foul of substantive requirements, the third party could launch a revocation action on any of the grounds set out in section 72(1), rather than simply oppose the amendment. It should be noted that we do not

envisage any change to the present role of the Office in reporting on amendments before the court under section 75.

68. If opposition to amendment is removed, should we also remove the facility for opposition to corrections under section 117(2)? At present, an applicant or a proprietor may request that a correction be made to the application or patent, and section 117(2) provides for oppositions to take place. (In practice, pre-grant oppositions are extremely rare since pre-grant corrections are rarely advertised.) Post-grant opposition is more likely since corrections are more likely to be advertised – particularly if the meaning or scope of the patent would be altered or rights of third parties could be affected in other ways. We would be interested to hear users' views on whether corrections should be treated differently from post-grant amendments, with the facility for opposition being retained.

69. Any removal of opposition would affect third parties wishing to attack the validity of an amendment or correction. However, the effect of opposition will be limited if the conduct of the proprietor is not a factor in amendment or limitation proceedings, and it may be that substantive issues currently raised in opposition proceedings can be raised by third parties in other ways. If this proposal were to be taken up, we would suggest that the facility to oppose an amendment or correction would be removed for any application to amend or correct filed after the date of the provision coming into force.

Designations on PCT applications

70. Article 79(1) EPC 2000 sets out that all EPC states will be deemed to be designated at the date of filing, although any designation may be withdrawn up until grant of the European patent – see paragraphs 41-42, which set out the consequential changes needed to section 130(1).

71. A similar change is to be made to the designation of countries or regions when an international application is filed under the PCT. Under new rule 4.9 PCT, coming into force on 1st January 2004, all countries and regions will be designated on filing, but it will be possible to withdraw any designation at any time, including on the date of filing of the application. Therefore, just as for European applications in paragraph 42, it follows that the definition in section 130(1) of “international application for a patent (UK)” no longer makes any kind of distinction between international patent applications. Our view is that this does not appear to matter for the Act, but the definition in section 130(1) ought to be clarified to reflect the deemed nature of designations under the PCT regulations, and to reflect the fact that withdrawal of a designation does not stop an international application from falling within the definition, even if that withdrawal is effected on the date of filing of the application.

D. PROPOSED CHANGES RELATED TO ENFORCEMENT AND POST-GRANT ISSUES

Introduction

72. This section of the consultation document deals with proposed changes which relate to enforcement and post-grant issues. We are very aware that there can be little point in obtaining a patent if the effective tools to enforce the patent are not available, and so we are considering various initiatives and proposals concerned with better enforcement of patents. For example, we are mindful that the Civil Procedure Rules put a duty on the courts to encourage and facilitate the use of Alternative Dispute Resolution (ADR) in appropriate cases (see, for example, *Dunnett v Railtrack plc* [2002] 2 All ER 850 as evidence that a successful party may be declined its costs for refusal to try ADR). We are keen to encourage the use of ADR and are exploring ways in which it can be put to effective use in the context of proceedings before the comptroller. However, we believe that this can be achieved without any changes to the Act, and in particular we note that section 107(1) is of wide enough scope to allow the comptroller to take an unreasonable refusal to settle under ADR into account when awarding costs. Therefore, aside from ADR, the following paragraphs put forward a number of proposals generally linked with enforcement and post-grant issues. Unless otherwise stated, references to particular rules or “the Rules” in the following paragraphs are to the Patents Rules 1995, as amended.

Employee-inventor compensation for inventions of outstanding benefit

73. Section 39 sets out the circumstances in which an invention made by an employee belongs to his employer. In such circumstances, section 40(1) allows an employee to be awarded compensation by his employer when the patent resulting from the invention has been of “outstanding benefit” to the employer. Section 41 then sets out provisions governing how the level of compensation should be calculated, with the intention that the employee should have “a fair share (having regard to all the circumstances) of the benefit which the employer has derived or may reasonably be expected to derive”.

74. To date there have been no successful actions under section 40. It is possible that this is because employers have generally chosen to settle anything but the most hopeless of cases, rather than face litigation. Alternatively, it may indicate that the policy objective of a fair balance between employer and employee is not being achieved. We wish to consider why this might be the case and what (if any) changes are possible to try and better ensure that the provisions work as intended. The following discussion sets out where possible changes may be made, but we are open to other suggestions as to how the aim of sections 40 and 41 might be better achieved.

75. Section 40(1) requires the patent to have been of “outstanding benefit”. In *Memco-Med Ltd’s Patent* [1992] RPC 403, Mr Justice Aldous confirmed that in general terms for the benefit to be “outstanding”, it must be something out of the ordinary when looked at in the context of the activities of the employer concerned, and that “outstanding” denotes something more than just ‘substantial’ or ‘good’.

Furthermore, the benefit must be actual and not potential benefit (see *British Steel plc's Patent* [1992] RPC 117). We believe that this threshold of “outstanding benefit” comes from the desire to achieve a fair balance between employer and employee, and we do not propose to re-open consideration of the threshold itself.

76. However, section 40(1) requires the size of the benefit to be determined in relation to the size and nature of the employer. This raises our first question. Some argue that this is an unnecessary restriction which may weigh the test too heavily against an employee working for a large company. Arguably, however successful or lucrative a single patent might be, it will never be of “outstanding” benefit in comparison to the turn-over of a successful multi-national company. Should the benefit be analysed when appropriate in relation to the relevant division or sector of the employer’s business?

77. A second point for debate is whether the outstanding benefit should be derived from the patent or from the invention. It can be particularly difficult for the employee to determine how much of a product’s success is due to the invention itself and how much is due to the existence of a patent protecting that invention. Nevertheless, the onus of proof on this point lies squarely on the employee (following *Memco-Med*). Should the test for compensation therefore be based instead on whether the invention itself has provided outstanding benefit? This would probably include any benefit deriving from a patent which resulted from the invention, but could also include benefit derived from unpatented inventions – for example, inventions kept as trade secrets. Alternatively, the test for compensation could be based on outstanding benefit from a patented invention; that is, an invention would still need to be covered by a patent before compensation could be claimed, but the measure of outstanding benefit would be based on the benefit from the invention rather than just the patent. With these options in mind, we would be interested in users’ views on whether outstanding benefit should continue to be measured as derived from the patent itself, from the invention, or from the patented invention.

78. Thirdly, for a successful compensation claim to result, the benefit must have been accrued by the employer of the inventor. If the employer assigns the patent to another party before any outstanding benefit has accrued, the employee-inventor cannot claim compensation regardless of how much benefit the assignee subsequently enjoys. We would be interested to hear views on whether this situation has led to problems for employee-inventors. For example, are they disadvantaged because, at the time of the assignment, the value of the invention may not yet be apparent?

79. With this in mind, we would like to explore the idea that an employee-inventor should be compensated whenever his invention is of outstanding benefit to a proprietor, even if it has been assigned by the employer. It could be argued that ownership of a patent comes with a responsibility to the original employee-inventor, so that any liability for compensation for outstanding benefit should move with the patent when it is assigned. A new proprietor could be sure that he would only be liable to pay compensation if he first derived outstanding benefit, and could also be sure that any compensation would be a “fair share” and would not negate the effect of that outstanding benefit. On the other hand, fettering a new proprietor with a potential compensation claim when a patent is assigned to him may be seen to be unfair, and it would extend the rights of the employee-inventor beyond the original employee-

employer relationship. We would therefore welcome views on whether an employee-inventor should be able to claim compensation for outstanding benefit from any owner of a patent for his invention.

80. Fourthly, the provisions of section 41 deal with calculation of any compensation when outstanding benefit has accrued. As such, these provisions have never been tested since no outstanding benefit under section 40 has yet been shown. Section 41(1) sets out that the employee is entitled to a “fair share (having regard to all the circumstances) of the benefit”. The sub-sections which follow – notably sections 41(4) and (5) – present detailed guidance for determining that fair share. We would be interested to hear views on whether these detailed provisions are thought to be helpful, or whether they are overly-specific and could form an additional complication which could present a further barrier to the employee-inventor gaining compensation.

81. Finally, section 42(2) protects the employee from the effect of a contract which diminishes his rights in connection with an invention made by him (including his right to obtain compensation if a patent of outstanding benefit results). However, this protection only applies to inventions which are made after the date of the contract. Section 40(4) protects employees who own their invention, regardless of whether the invention is made before or after the date of the contract. There is therefore no provision to protect an employee from a contract which diminishes his rights regarding an invention belonging to the employer, and made before the contract. We are interested to hear whether this has caused particular problems for employee-inventors, and whether it would be appropriate for an employee to be protected from the effects of a contract made after the date of the invention. This would protect an employee from making an invention and then subsequently signing a contract in which he foregoes his right to claim compensation if a patent for that invention results in outstanding benefit.

82. We shall be considering how any new provisions which result from these proposals would come into effect, and our present suggestion is that any such new provisions would have effect only for inventions made (or patents granted) on or after the date that the provisions come into force.

Licences of right and section 46(3)(c)

83. Section 46(3)(c) sets out that no injunction and only limited damages will be available as remedies in infringement proceedings, provided the defendant agrees to take a licence of right. This concession is not available to anyone who is being sued for infringing a patent by importing products into the UK from a country outside the European Economic Area (“EEA”).

84. We are considering whether to extend this concession to all defendants who are infringing by importation and who undertake to take a licence of right. A possible effect is that proprietors who launch infringement actions against importers bringing infringing goods into the UK from outside the EEA will find it more likely that such importers will undertake to take a licence of right. Any change to section 46(3)(c)

would, we suggest, have effect for any infringement proceedings commenced on or after the date of coming into force of the amendment to the Act.

Infringement proceedings before the comptroller

85. The comptroller has the jurisdiction to hear infringement proceedings, alongside proceedings for revocation, entitlement and so on. However, under section 61(3) a proprietor can only launch infringement proceedings before the comptroller with the agreement of the alleged infringer. In practice, this means that larger or better funded companies can deny smaller proprietors access to the less formal, lower cost forum provided by the comptroller for the determination of infringement disputes. The result is that an infringement dispute has never come before the comptroller, with the effect that many users are unaware that the possibility exists.

86. We therefore propose to amend section 61 to remove the requirement that the defendant must agree before infringement proceedings can be launched before the comptroller. This will allow a claimant to choose whether to launch an infringement action before the comptroller or the courts, as he sees fit, and will therefore improve access to the comptroller as a forum for deciding infringement disputes. The choice of going before the courts or the comptroller is one which a claimant already has under other provisions of the Act – see for example sections 40 and 72.

87. We believe this proposal will, in particular, make the comptroller an effective and accessible forum for smaller, less well-funded proprietors, and it will mean that potential infringers will no longer be able to force a proprietor to launch infringement proceedings before the court. We propose that the option of bringing infringement proceedings before the comptroller would be open to a proprietor who had not already launched infringement proceedings before the date of the amendment to the Act coming into force. We would suggest leaving section 61(5) as it stands – so that comptroller could decline to deal with an infringement dispute if it was felt more appropriate for the courts to determine the matter (this is comparable with section 37(8) – allowing the comptroller to decline to deal with entitlement proceedings under that section).

88. Under section 61(3), the remedies available before the comptroller are damages and a declaration that the patent is valid and has been infringed. It is our view that these remedies would suffice and that it is not necessary to extend the powers of the comptroller to include the other remedies available to the court and listed under section 61(1) (injunctions, orders for delivery up or destruction, account of profits). We are however interested in users' views on this point, and would be particularly interested to hear whether the non-availability of certain remedies has been an additional factor that has dissuaded proprietors from using the comptroller to decide infringement disputes.

Threats

89. Section 70 sets a balance between the rights of patent proprietors and their competitors. A proprietor may threaten another person with infringement proceedings

for making or importing a product or using a process, without giving cause for a threats action against him. If, however, the proprietor threatens another person for selling or stocking a product, then anyone aggrieved can bring a threats action and claim damages if that threat turns out to be groundless. The provision therefore discourages proprietors from directing their concerns to retailers and customers, but leaves them free to approach manufacturers and importers. It is therefore intended to prevent the intimidation of retailers and customers, who are most likely to be deterred by an unjustified threat of infringement action. Similar provisions exist in other intellectual property legislation – for example, in section 21 of the Trade Marks Act 1994.

90. We believe it is right to encourage parties to attempt pre-litigation settlement in the spirit of the Woolf reforms, and we are interested in exploring whether the current provisions of section 70 provide a barrier to such attempts. In particular, under section 70(2) a threats action cannot be successfully defended unless infringement is actually proven, and under section 70(5) anything which goes further than a simple notification of the existence of a patent may well amount to a threat to bring proceedings. It follows that even if a proprietor reasonably believes that a shop is stocking and selling an infringing product, he may not feel able to risk writing to suggest a discussion of the issues without being prepared to face a threats action and ultimately perhaps be found liable to pay damages should infringement eventually not be proven.

91. We are aware that the courts have made clear recently (in, for example, *Unilever v Procter & Gamble* [2000] FSR 344 and *Kooltrade v XTS* [2001] FSR 158) that genuine ‘without prejudice’ communications which form part of an attempt to settle any infringement dispute are excluded from the provisions of section 70. However, since ‘without prejudice’ status arises at least partly by agreement of the parties concerned (see *Unilever v P&G*, above), there remains a question of whether a first piece of correspondence, attempting to open a genuine discussion, would be protected by ‘without prejudice’ privilege.

92. We would therefore be interested to hear from users whether the provisions of section 70 currently discourage or restrict genuine and meaningful attempts at pre-litigation settlement. Would a genuine attempt to resolve a dispute, initially at least, only be addressed to a manufacturer or importer, rather than a retailer or customer? If so, section 70 provides no barrier to a genuine attempt at a settlement. However, if a genuine attempt might require approaching a customer or retailer rather than a manufacturer or importer, does the existing scope of ‘without prejudice’ privilege give, in practice, the necessary protection? If not, can we ensure that the provisions are sufficiently flexible such that communications which initiate, amount to or form part of a genuine attempt to settle a *bona fide* dispute between parties are possible – while not being open to abuse?

93. There is a second, more specific, proposal in relation to section 70. The section is intended to allow a proprietor to threaten (for example) a rival manufacturer with an infringement action, but not to allow the proprietor to unjustifiably threaten the rival manufacturer’s customers. However, section 70(4) is worded in terms of whether the threats relate to certain infringing acts, rather than whether the threats relate to certain types of infringer. Under the present wording it is possible that a

proprietor could write to a person who is both manufacturing an allegedly infringing product and selling it, suggesting that infringement is taking place, and an action for groundless threats would be possible on the latter basis but not the former.

94. This seems to be inconsistent with the intention of the provision, and whom it is meant to protect. We therefore propose to amend section 70(4) so that proceedings under section 70 will not be able to be brought for a threat made to anyone who is alleged to be making or importing a product for disposal or using a process in an infringing manner – regardless of what other potentially infringing acts they might be carrying out. We believe that by defining in section 70(4) the type of person who has been threatened, rather than the type of alleged infringement, the section will operate to protect those who need protection from threats more effectively, without unnecessarily extending protection from threats to those who are deemed not to need such protection.

95. Any changes would affect all those people who are potentially involved in infringement proceedings – the proprietor, their competitors who are manufacturing or importing a product or using a process, and their customers. We envisage that any new provisions would apply to communications made on or after the date of coming into force of any amendment to the Act.

Issues involving co-ownership of a patent

96. The Court of Appeal in *Henry Brothers (Magherafelt) Ltd v Ministry of Defence* [1999] RPC 442 at pages 450-451 called for clarification of the Act in areas concerned with co-ownership of patents. It seems there may be several areas where clarification might be useful, and we seek to gauge users' views on whether such clarification is necessary or desirable.

97. The issue of revocation by a wrongly-omitted co-owner was central to the *Henry Brothers* case. Section 72(1)(b) allows a patent to be revoked on the grounds that it “was granted to a person who was not entitled to be granted that patent”. In the case where A is the registered owner of the patent, and B thinks he is entitled to be sole owner, the outcome of entitlement proceedings might be that B is solely entitled. B can therefore apply to revoke the patent because in the words of section 72(1)(b) A was “not entitled to be granted that patent”. However, if the outcome of entitlement proceedings is that A and B are jointly entitled, it seems that B then has no power to ask for revocation of the patent under section 72(1)(b). The view of the Court of Appeal (*obiter*) in *Henry Brothers* was that it is a sufficient remedy for B to be made a co-owner under section 37(2)(a).

98. If users agree that section 37(2)(a) is indeed adequate, and a wrongly-omitted co-owner should not be able to apply to revoke, then we suggest that section 72(1)(b) could be amended to make this clear. Alternatively, users may feel that a wrongly-omitted co-owner should have the right to press for revocation under section 72(1)(b), in the same way that a wrongly omitted sole owner can.

99. This also raises the broader question of whether a co-owner, or for that matter a sole owner, should be able to apply for revocation of their patent under any

of the grounds set out in section 72(1). We suggest that section 72(1) should be clarified either to allow a co-owner or a sole owner to launch a revocation action on any ground, or to make clear that revocation by a sole owner or any or all of the co-owner(s) on any grounds is not possible. We are interested to hear of users' opinions on these options. Section 72(1) states that "any person" may apply to revoke a patent, but it is interesting to note that - in the context of opposition proceedings under Article 99 EPC - the EPO Enlarged Board of Appeal have held that "any person" does not include the proprietor (*Peugeot and Renault* (G 9/93) [1995] EPOR 260).

100. Finally, under section 36(2) a co-owner is entitled to work the invention for his own benefit without the consent of the other(s), and is also entitled to use agents to do the work for him. There is a question of how far the rights of such "agents" go, before they effectively become licensees of one co-owner, and therefore subject to the restrictions imposed by section 36(3), in which a co-owner must seek the consent of the other(s) before agreeing to grant a licence. In *Henry Brothers*, it was stated in reference to section 36(2) that "the general purpose of this provision is to permit what might be called domestic enjoyment....while not permitting large-scale commercial exploitation through the grant of licenses". Nevertheless, the court went on to state that the dividing line between when agreement between co-owners is necessary and when it is not is difficult to draw and can only really be placed by "looking at the substance of what is going on". In the light of this comment, we suggest that the borderline between sections 36(2) and (3) continues to be best dealt with by looking at the facts of each case, and so we do not propose to make any amendment to the sub-sections concerned.

Jurisdiction over post-grant amendment

101. Section 75(1) allows for the possibility of amendment of a patent in any proceedings before the court or comptroller "in which the validity of the patent is put in issue". This wording caused Mr Justice Jacob some difficulty in *Norling v Eez-Away (UK) Ltd* [1997] RPC 160, which was an infringement action in which the defendant had put validity at issue by counterclaiming for revocation. When the defendant subsequently withdrew the counterclaim, the court's jurisdiction over proposed amendments might have been "switched on and off like an electric light". However, it was held that the wording of section 75(1) meant that once validity had been put in issue in proceedings, the court had jurisdiction to consider amendments – regardless of whether validity remained an issue or not.

102. Nevertheless, Mr Justice Jacob recognised that this approach leaves a number of oddities. Firstly, it means that there is a difference between a case where the proprietor simply sues for infringement (where the court has no jurisdiction to consider amendments) and a case where the proprietor is left suing for infringement after a defendant has withdrawn a counterclaim for revocation (where the court does have jurisdiction). Furthermore, in the former case not only does the court have no jurisdiction to hear amendments, but the comptroller has no jurisdiction under section 27 either - because section 27(2) deprives the comptroller of jurisdiction over amendments if there are "proceedings in which validity of the patent may be put in issue" – in other words, if there are proceedings which by their nature allow for the possibility of validity to be put at issue.

103. The effect of all this is that in any infringement action, the proprietor cannot amend either under section 27 or 75, unless a counterclaim has been launched. In fact, the discrepancy between the wording of sections 27(2) and 75(1) means that amendment is not possible in any proceedings where validity could be, but in fact has not been, put at issue.

104. We propose to clarify the position to allow for amendment under section 75 during any proceedings in which validity may be put in issue. In other words, a proprietor will be able to propose amendments under section 75 during any infringement proceedings, proceedings concerning groundless threats, proceedings to obtain a declaration of non-infringement, revocation proceedings or disputes over Crown use under section 58 (these are the proceedings in which validity may be put at issue, as set out in section 74(1)). We propose that the proprietor would remain unable to amend under section 27 while any of these proceedings continue before the comptroller or the courts – regardless of whether validity has actually been put in issue or not. We suggest that the ability to propose amendments under section 75 during proceedings in which validity may be put in issue would apply to any proceedings launched on or after the date of coming into force of the amendment to the Act.

Post-grant re-examination

105. We are interested in exploring whether the Act should be amended to allow for the Office to provide post-grant re-examination of a patent. Allowing the comptroller to make a declaration on the validity of a patent in force in the UK could be a way of resolving issues of patent validity without the parties having to launch full-blown proceedings before the comptroller or the courts. This consultation is concerned with whether the Act should be amended to give the comptroller the power generally to undertake post-grant re-examination, rather than exploring a lot of the details of such a system. Nevertheless, there are a number of options to consider.

106. We suggest that any person (including the proprietor) should be able to request for an existing patent to be re-examined. There should be no need to show an interest in having the patent re-examined or revoked.

107. One possibility is that re-examination could be requested only where prior art has come to light which was not considered by the examiner pre-grant. This is what the existing US model of re-examination calls a “substantial new question of patentability”. Another option is to follow the new US model (to be introduced as a result of recent legislation) whereby a re-examination can be requested on the basis of a piece of prior art already considered before grant of the patent. A third option would be to allow the patent to be re-examined on any of the patentability grounds set out in section 1(1) – namely, whether the patent is for an invention which is new, inventive, capable of industrial application and not for excluded subject matter. It might be felt, however, that the type of issues raised in re-examination under this third option would be better suited to full proceedings before the comptroller or the courts.

108. We propose that it would be a matter for the comptroller's discretion whether to accede to a request for re-examination or not. The comptroller would have to determine whether suitable grounds for a re-examination had been made out. Like any exercise of the comptroller's discretion, the decision whether to re-examine or not would be subject to a hearing before the comptroller under section 101, and the outcome of that decision would be subject to the usual modes of appeal. On a related point, should the proprietor have the ability to oppose a request for re-examination of his patent? If so, the proprietor would then equally have the ability to ask for a hearing under section 101 before any re-examination took place.

109. Another question which arises is whether the outcome of the re-examination itself should be subject to some form of appeal. If so, should the requestor or the patent proprietor be able to appeal the decision? It could be argued that the intention of re-examination is to save proprietors and third parties time and money by providing an alternative or preliminary route to litigation – so providing for the usual routes of appeal is not desirable. If the party requesting the re-examination disagreed with the outcome, they could launch a revocation action, the outcome of which would be subject to appeal in the usual way. Therefore it could be argued that, if an appeal is to be available at all, it should only be available to the proprietor.

110. What should the result of a finding of invalidity be? The most straightforward option is that the comptroller simply makes a declaration of validity or invalidity, and leaves the patent on the Register and in force. Alternatively, the Register could be marked to indicate that re-examination has taken place and recording the outcome. We do not propose that the party who requested the declaration be obliged to launch a revocation action if the finding is that the patent is invalid. Neither do we propose that the comptroller should have the power to revoke the patent herself.

111. We could require that the request for re-examination includes a statement setting out the grounds for re-examination. One option (which follows the US model) would be to allow the proprietor to see this statement and any new prior art, and make a statement in reply; and allow the requestor to then make a further statement. The matter would then be decided by an examiner (different from the one who examined the application pre-grant). The absence of further statements, evidence rounds or a hearing would keep the re-examination process more akin to pre-grant examination than full-blown proceedings before the comptroller.

112. It seems right that a proprietor should be able to propose amendments once made aware of any new prior art, and it seems logical that those amendments could be proposed as part of the statement in reply. If the amendments were allowable, the re-examination could then take place on the basis of the patent as amended.

113. By introducing re-examination, we would aim to provide a fast, fair and effective way of resolving disputes over validity as an alternative to formal litigation, or to provide a preliminary step before an infringement or revocation action is launched before the comptroller or the courts. We would be very interested to hear users' views.

Security for costs

114. Section 107(4) allows security for costs to be required from a party launching entitlement, revocation or opposition proceedings before the comptroller, when that party neither resides nor carries on business in the UK. It further allows for the proceedings to be treated as abandoned if security is not forthcoming. We aim to improve section 107(4) in two ways.

115. Firstly, the section contains a detailed list of proceedings in which security for costs may be required. This means that whenever a new proceeding is created, the section needs amendment by primary legislation. A recent example is that opposition to the revocation or cancellation of an order or entry concerning licences of right under section 48 is now possible under section 52(2)(b). Section 107(4) ought now to include the option of requiring security for costs in such proceedings, and other modifications to the list of proceedings may be necessary in the future.

116. We therefore propose to follow the approach taken in section 68(3) of the Trade Marks Act 1994. Hence section 107(4) would be amended to allow provisions to be made by rules which (for prescribed proceedings) would give the comptroller the power to require security for costs. Rather than listing various proceedings in a rule, we would prefer to follow the approach of rule 61(1) of the Trade Marks Rules 2000, and allow a general power for the comptroller to require any person who is a party in any proceedings under the Patents Act to give security for costs. We would also continue to make clear that the consequence of not providing the required security is that the proceedings may be treated as abandoned.

117. A second improvement to section 107(4) will follow as a result. The existing provision gives the comptroller discretion to require security for costs from a non-UK resident or business. However, this discretion is in practice redundant because the Brussels Convention and EC law (Council Regulation (EC) No.44/2001) deal with the enforcement of judgments in other jurisdictions. In *Fitzgerald v Williams* [1996] 2 WLR 447 the Court of Appeal held that an English court should never exercise its discretion to require security for costs from a claimant who is a national of or resident in a member state of the Brussels Convention – unless there was very cogent evidence of substantial difficulty in enforcing the judgment in that other member state. The proposed new section 107(4), and rules made under it, would be more consistent with this, since they would give the comptroller a general discretion which could only be exercised in compliance with the Brussels Convention, EC law and any other relevant international agreements.

118. The effect of this proposal on users would be a change in the ability to seek an order for security for costs against parties not from the UK. However, in practice no detriment should result, since a party should be capable of enforcing any final judgment in their favour in the member state concerned. We envisage that this proposal would not come into effect until the necessary amendments to the Rules had been made. We would suggest that the new provisions would apply to all proceedings launched on or after the date that those provisions come into effect.

E. PROPOSED CHANGES RELATED TO MODERNISATION OF THE ACT

Introduction

119. This section of the consultation document discusses some proposed changes relating to modernisation of the Act. For example, certain of these proposals will allow us to respond to our customers' changing demands and expectations in a more flexible and efficient way. Other proposals are concerned with making good some inconsistencies or other problems in the legislation which have been noted over the years. The Bill is also an opportunity to bring certain references in the Act up to date. The following paragraphs therefore put forward a number of proposals generally linked with these issues. Unless otherwise stated, references to particular rules or "the Rules" in the following paragraphs are to the Patents Rules 1995, as amended.

Entitlement - condition for filing a new application

120. Section 8 sets out provisions for dealing with entitlement disputes before grant of a patent. Section 8(3)(c) sets out what happens when the application in question is withdrawn or refused under any other provision of the Act before the entitlement reference has been resolved by the comptroller. In these circumstances, the comptroller may allow the successful party (if they are not already the applicant) to file a new application, and it will be treated as having the filing date of the original application. However, section 8(3)(c) states that this is only possible if the original application was withdrawn or refused after publication. If the original application was withdrawn or refused before publication, the successful party can still file a fresh application, but it will have its own date of filing. It follows that if the original applicant chose to disclose the contents of the original application after filing it, the successful party's new application will be wholly anticipated. This is in our view unfair. It could even lead to the possibility of the original applicant (sensing that he will be unsuccessful during the course of the entitlement proceedings) deliberately withdrawing the application before publication and then disclosing its contents. If this was done more than six months before resolution of the entitlement proceedings (and therefore more than six months before re-filing of the application by the successful party), it would not be possible to disregard the disclosure under section 2(4).

121. The same situation occurs in sections 12(6)(a) and 12(6)(c) in respect of European applications and international applications which are refused for reasons other than wrong entitlement, or are withdrawn. As with section 8(3)(c) the comptroller may only deem a new application filed by a successful party in entitlement proceedings to have the date of filing of the original application if that original application was published before being refused or withdrawn.

122. We therefore propose to remove the restriction in sections 8(3)(c), 12(6)(a) and 12(6)(c) that the earlier application must have been published before the comptroller can order that a new application be filed with the original filing date. The effect of this will be that, regardless of whether the original application was published or not, if that application has been withdrawn or refused the comptroller will be able to order that a new application filed by the successful party in entitlement proceedings

be deemed to have the filing date of the original application. This proposal could therefore affect any successful party in entitlement proceedings under sections 8 or 12, since any disclosure by the original applicant will therefore not destroy the novelty of the later application made by that successful party. We suggest that the new provision would have effect for any entitlement reference under sections 8 or 12 launched on or after the date of the amendment to the Act coming into force.

Renewal fees

123. At present, rule 39 requires that an annual renewal fee must be paid within the three months leading up to the anniversary of the filing date (the “prescribed period” of section 25(3)). Furthermore, section 25(4) allows for the fee to be paid (along with an additional fee) “during the period of six months immediately following the end of the prescribed period”. We propose to amend rule 39 so that the final date of the prescribed period for payment of a renewal fee is not the anniversary of the filing date, but is the last day of the month in which that anniversary falls. This will harmonise this provision with that of most other European countries and simplify payment of renewal fees – particularly for those with large patent portfolios across Europe.

124. Although the basic proposal requires simply a rule change, there are two consequential effects which may require changes to the Act. Firstly, section 25(3) makes clear that in the event of non-payment a patent will cease at the end of the prescribed period for payment – that is, on the anniversary of the filing date. If we extend the prescribed period for payment to the end of the month, should the patent now cease (if the renewal fee is not paid) on the last day of the month in which the anniversary falls? Or should extending the period for payment not change the fact that the patent would lapse on the anniversary of the filing date? We would be interested to hear users’ views on this point.

125. Secondly, we need to ensure that the six month period set out in section 25(4) also ends on the last day of the month, and with the present wording of that section this is not the case. For example, if the final date for renewal fee payment was the end of February, the six month period under section 25(4) would end on 28th August, and not at the end of August. We therefore believe that to amend rule 39 and not this section would be unsatisfactory and lead to a confusing mix of systems for payment – with some key dates falling on the last day of the month, and other not doing so. We therefore propose to amend section 25(4) to make clear that the six month period will also always finish on the final day of a month. Hence if the final date for payment was 28th February, the six month period would last until 31st August. This would then be consistent with amendment of rule 39 to move the final date for payment to the end of the month in which the filing date falls.

126. The effect for proprietors would be a general simplification of payment dates. The final date for renewal fee payment would be the last day of the relevant month. The subsequent six month period would also end on the last day of a month. This would provide more certainty, less likelihood of restoration proceedings, and a simplification of diary systems for proprietors, patent agents and renewal fee payment agencies everywhere. We note that if section 25(4) is to be amended as proposed, a

consequential amendment would be needed to section 28(3)(a). We propose that any patents for which the section 25(4) period had not expired on the date of coming into force of this provision in the Act would be subject to the newly-defined 'end of month' section 25(4) period. We would seek to have this provision come into force at the same time as an amended rule 39.

International applications under the PCT - early entry into the national phase

127. Increasing numbers of international applications are entering the national phase early. That is, instead of waiting for the prescribed 31 month period to expire and the national phase to begin under section 89A(3)(a), applicants are increasingly requesting that the comptroller begin the national phase of their application earlier, as they are allowed to do under section 89A(3)(b). There is, however, some uncertainty over when such 'early entry' applications are treated as being published under section 16. This uncertainty stems from section 89B(2). This section tells us that an international application is regarded as published under section 16 when (i) it has been published under the PCT and (ii) when it enters the national phase at the expiry of the prescribed period under section 89A(3)(a). It makes no mention of section 89A(3)(b). Therefore, when an international application is (i) published under the PCT and (ii) then enters the national phase early under section 89A(3)(b), it is unclear whether the application should be treated as published under section 16 or not.

128. We therefore propose to amend section 89B(2) so it is clear that international applications which have been published under the PCT and which enter the national phase early are treated as being published under section 16 on entry into the national phase. Such applications can therefore be treated in the national phase in the same way as international applications which enter at the end of the prescribed period, and so it will be clear that neither types of application will need to go through the process of statutory publication under section 16. This should clarify 'early entry' procedures for applicants and the Office alike. It would therefore follow that where the international application had not been published under the PCT when it enters the national phase, it would not be deemed to have been published under section 16 on entry into the national phase. It would therefore require full publication under section 16 in the same way as for a domestic application, or would need to await publication under the PCT in order to be treated as published under section 16.

Hours of business and excluded days

129. Section 120(1) states that the Office's hours of business and excluded days can be specified in the Rules and at present they are set out in rules 98 and 99 respectively. This means that any change to hours of business or excluded days can only be effected by Statutory Instrument.

130. We propose to amend section 120(1) so that such matters need not be prescribed by the Rules, but instead allow the comptroller to specify such matters by issuing directions. This will give the Office greater flexibility to continually improve the service it can offer to the public, and respond to customer needs more quickly in the future. It also has the advantage of being consistent with the approach taken under

the Trade Marks Act 1994. Section 80(1) of that Act allows the registrar to give directions specifying hours of business and excluded days for the purposes of that Act.

131. We would want to ensure that the public continue to be well informed of changes to the Office's hours and days of business, and given plenty of advance notice. We therefore propose to include in section 120 a provision having the effect of section 80(3) of the Trade Marks Act 1994, part of which states that directions "shall be published in the prescribed manner". Rule 70 of the Trade Marks Rules 2000 prescribes that any directions shall be published in the Trade Marks Journal and posted in the Office. We could therefore have a corresponding rule in the Patents Rules setting out similar conditions under which any direction by the comptroller would have to be publicised. This could include a requirement to publish in the Patents and Designs Journal and at the Office, but we are open to suggestions of what other requirements could usefully be included.

132. Rules 98(a) and 99(2) currently make different provisions for different classes of business – namely, specifying certain differences in hours of business for the filing of applications which do not derive a priority date from an earlier application. We would seek to retain the possibility of having different provisions for different classes of business, and so we propose that included in section 120 is a provision making clear that such directions can be given by the comptroller. This, again, would be akin to the effect of section 80(3) of the Trade Marks Act 1994, the first part of which states "Directions under this section may make different provision for different classes of business".

133. Customers of the Office would remain unaffected in the sense that the proposal ensures that changes to hours of business and excluded days would remain well-publicised. Advantages to customers would be the more rapid and flexible way in which the Office could respond to changing demands and expectations. Transitional provisions would ensure that rules 98 and 99 of the Patents Rules would remain in force until such directions under the new section 120(1) were ready to take effect.

Comptroller's annual report

134. Section 121 requires the comptroller to lay an annual report before both Houses of Parliament by 1st June each year. However, the Patent Office Trading Fund Order 1991 (SI 1991 No.1796) states that this requirement is treated as satisfied if the annual report for a given financial year is laid before Parliament on or before the 30th November following the end of that financial year. However, the Order did not amend the Act directly.

135. We propose to amend section 121 to properly reflect the position by referring directly to the 30th November deadline. This will remove the misleading impression that the deadline is 1st June. There is therefore no change in practice, this proposal simply leading to a clarification of the current position.

Patents Forms

136. Section 123(2)(a) gives the Secretary of State the power to make rules which prescribe the Patents Forms that are used when dealing with the Office. At present, rule 4(1) prescribes that the Forms are those set out in Schedule 1 to the Rules, although rule 4(2) allows for the limited use of alternative forms. This arrangement means that any change to the Forms requires a Statutory Instrument to amend the appropriate rules or schedule.

137. We propose to provide a power to enable the comptroller to specify the content and layout of the Patents Forms by issuing directions, so that the Forms no longer need be prescribed by Rules. In a similar manner to the proposal in paragraphs 129-133 earlier, this will give the Office greater flexibility to continually improve the service it can offer to the public, and respond to customer needs more quickly in the future. This proposal also has the advantage of being consistent with the approach taken under the Trade Marks Act 1994. Section 66(1) of that Act allows the registrar to give directions relating to the use of forms required for registration of a trade mark or relating to any other proceeding under that Act.

138. We would want to ensure that the public continue to be well informed of changes to the Forms, and given plenty of advance notice. We therefore propose to include a provision having the effect of section 66(2) of the Trade Marks Act 1994, which states that directions regarding the Forms “shall be published in the prescribed manner”. Rule 3 of the Trade Marks Rules 2000 prescribes that any directions shall be published in the Trade Marks Journal. We could therefore have a corresponding rule in the Patents Rules setting out similar conditions under which any direction by the comptroller relating to Forms would have to be publicised. This could include a requirement to publish in the Patents and Designs Journal, but we are open to suggestions of what other requirements could usefully be included in such a Rule.

139. The Office’s customers would remain unaffected in the sense that the proposal ensures that changes to the Forms will remain well-publicised. Advantages to customers would be the more rapid and flexible way in which the Office could adapt and update the Forms and so respond to changing demands and expectations more readily than at present. It should be noted that we propose to retain the existing numbering of the Forms, and also to retain references to that numbering in the Rules. Transitional provisions would ensure that the Forms as prescribed by the Rules would remain in force until such directions are ready to take effect.

Treasury consent for Patents (Fees) Rules and remuneration of advisers

140. Section 123(4) requires the consent of the Treasury when any Patents (Fees) Rules are made. Section 123(5) similarly requires Treasury consent for remuneration of any adviser that the comptroller appoints under rule 109 to assist her in any proceeding (we believe this provision has only been used rarely, if at all). In the light of the Office’s status as an executive agency of the DTI and as a trading fund, we believe it is right that the provision of sections 123(4) and 123(5) should now be removed.

141. This would simply mean that consent of the Treasury would not be required when amendments are proposed to the Patents (Fees) Rules in the future, nor when any adviser to the comptroller is appointed and paid. Any (Fees) Rules would still need to be laid before Parliament, and the approval of the Secretary of State would still be required. We foresee no impact on our customers from this proposal and we note that it is consistent with the approach taken under section 79 of the Trade Marks Act 1994 for the setting of fees. The removal of the need for Treasury consent would come into effect immediately on the date of coming into force of the amendment to the Act.

References to the Community Patent Convention (“CPC”)

142. The Act contains various references to the CPC, which was signed in 1975. Despite being amended by the 1989 “Agreement relating to Community Patents”, the CPC has never been ratified and so none of the provisions have ever taken effect. In particular, sections 53(1), 60(4), 86 and 87 have never been brought into force. If a Community Patent is ever to be introduced into UK law, we can be sure that it will not be by way of the CPC. Instead, negotiations over a new Council Regulation introducing a Community Patent (and having direct effect) continue. We are therefore proposing to remove the following provisions relating to the CPC from the Act, by amendment or deletion of the provision, as indicated in the following paragraphs.

143. Deletion:

- Section 53(1) – Effect of CPC on compulsory licensing provisions of the Act.
- Section 60(4) – Effect of CPC on infringement provisions of the Act. (Note: the deletion of this sub-section would not affect the established European Court of Justice’s doctrine of exhaustion of rights).
- Section 86 – Implementation of CPC
- Section 87 – Effect of decisions taken on patents under the CPC

144. Amendment:

- Section 91(1)(a) – deletion of reference to the CPC
- Section 91(1)(b) – deletion of reference to register of Community patents
- Section 95(1) – deletion of reference to the CPC
- Section 103(2) – deletion of reference to the CPC
- Section 105(2) – deletion of reference to the CPC
- Section 121 – deletion of reference to the CPC
- Section 130(1) – deletion of definition of “Community patent”; deletion of reference to the CPC in the definition of “relevant convention court”
- Section 130(6) – deletion of reference to the CPC.

145. We are considering how best to deal with the references to the CPC in section 130(7) and would welcome users’ views on this subject. However, we note the following points: (i) it remains the case that in 1975 the UK signed the resolution (annexed to the CPC) referred to in section 130(7); (ii) certain sections of the Act have from time to time been interpreted in proceedings before the courts or the comptroller in the light of the wording of corresponding articles of the CPC. If as a result of these factors section 130(7) is to retain a reference to the CPC, we suggest

that the definition of “Community Patent Convention” in section 130(1) should also be retained.

ANNEX A: *Draft* REGULATORY IMPACT ASSESSMENT (RIA) FOR PATENTS ACT (AMENDMENT) BILL

A. INTRODUCTION

1. This draft RIA supports and is being issued with the consultation paper on the proposed Patents Act (Amendment) Bill. Interested parties are asked to comment on the impact of the proposed measures giving quantitative information wherever possible, particularly for proposals outlined under Parts C, D and E. The consultation paper including this RIA is available in electronic form from the Patent Office Web-site at www.patent.gov.uk and in paper form by contacting:

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2. The measures in the proposed Bill cover four topics:
 - i) Proposals to take account of the effect of the revised European Patent Convention (EPC) on the Patents Act 1977 (“the Act”) [*Part B, paragraphs 12-54 of the consultation document*];
 - ii) Proposals which relate closely to those in (i) but are not formally required for implementation of the revised EPC [*Part C, paragraphs 55-71 of the consultation document*];
 - iii) Proposals relating to enforcement and post-grant issues [*Part D, paragraphs 72-118 of the consultation document*]; and
 - iv) Proposals relating to modernisation of the Act [*Part E, paragraphs 119-145 of the consultation document*].
3. The impact of the measures proposed under each of these topics is considered in the following Sections B-E corresponding to the same sections in the consultation document. Where appropriate, reference has been made to the relevant paragraphs in the consultation document.

Who is interested in patents legislation?

4. Patents are legal instruments which inventors can obtain to protect their technical inventions. They are statutory monopolies which confer privileges such as the right, for up to 20 years, to sue those who attempt to use the invention without the permission of the patent proprietor. The Patent Office is the statutory body entrusted with granting patents in the UK and disputes relating to patents may be heard either before the Office or before the courts.
5. The patent proprietor may be the private individual who developed the invention, or more commonly, the person or organisation for whom the inventor works. Alternatively, they may be the person or organisation to whom the inventor has sold the invention.
6. There is no obligation on owners of inventions to apply for patents and, indeed, some choose not to do so. However, if an inventor obtains a patent, it grants certain rights to the proprietor and to those who exploit the invention commercially (e.g., those who have licensed the patent from the proprietor) while also constraining the boundaries within which third parties can operate legitimately.
7. The process of applying, granting, maintaining and enforcing a patent before the Patent Office and the courts is governed by the requirements of the Patents Act 1977, its associated rules (the Patents Rules 1995 as amended) and various court decisions. As a consequence, patent proprietors often make use of skilled representatives, such as, patent agents, who have a detailed knowledge of the legislation and relevant case law, when they wish to obtain and/or enforce a patent. Some organisations generate sufficient work to employ their own in-house patent agents, however, most organisations contract out this work to private firms of patent agents as the need arises.
8. Any individual or organisation involved in manufacturing industry, from a small one-man business to a large multinational corporation, is potentially affected by changes in patents legislation. Their interest will be from the point-of-view both of possible patent proprietors or of possible third parties. Similarly, changes in patents legislation will impact on those who act as representatives for patent proprietors
9. Any organisation involved in solving technical problems may apply for a patent to protect the solutions it develops. This includes charitable organisations such as the medical research charities who often license or sell their patents as a means to generate further funding for their research projects.

B. IMPACT OF PROPOSALS WHICH TAKE ACCOUNT OF THE EFFECT OF THE REVISED EUROPEAN PATENT CONVENTION

Issue and Objective

10. The European patent system is regulated by the European Patent Convention (EPC), an intergovernmental agreement signed in Munich in 1973. The EPC, which provides for the establishment of the European Patent Organisation, makes the patenting of inventions in its Contracting States easier, cheaper and more reliable because it creates a single application and granting procedure for patents that is based on a uniform body of substantive patent law.
11. In November 2000, a Diplomatic Conference adopted a revised text of the EPC (“EPC 2000”), the first major revision of the Convention since its creation, to make it more responsive to the needs of business, much easier to up-date and to provide more flexibility for the processing of patent applications.
12. For the UK, implementation of EPC 2000 requires primary legislation. The Patents Act (Amendment) Bill will amend the Act to take account of all the changes to the EPC agreed at the Diplomatic Conference. The proposals outlined in Part B (paragraphs 12-54) of the consultation document show how this will be achieved.

Options

13. The UK signed the Final Act of the Diplomatic Conference in November 2000. As a consequence, options are restricted. The choice is:
 - i) Implement the changes as agreed at the Diplomatic Conference, or
 - ii) Not to implement the changes.
14. Non-implementation will result in the UK falling out of the European patent system and will have a number of significant political and economic consequences as outlined below.

Risk assessment

15. Failure to honour this treaty obligation will do serious political damage to the UK, an original signatory to the convention in 1977 and an active participant in its development since then. It will result in the UK having to leave the European Patent Organisation. It is also not consistent with Government policies for promoting innovation and fostering the science base.
16. Failure will also have economic implications for UK businesses. They will no longer be able to use the single application and grant procedure of the European patent system to obtain a UK patent at the same time as they obtain patent

protection in a combination of up to 23 other European countries covered by the EPC. A duplicate application will have to be made to the UK Patent Office to obtain UK patent coverage. This will increase the financial and administrative burdens on UK businesses.

17. The UK is the fourth largest European user of the European patent system (after Germany, France and the Netherlands) and is the sixth largest user if US and Japan are also considered. In 2001, UK applicants filed about 5000 European applications which designated on average 17-18 EPC countries, including the UK. As indicated above, if the UK falls out of the European patent system, all of these applications would have to be duplicated. Similar numbers of applications are expected for 2002.

Benefits

18. By implementing the revised version of the EPC, the UK will ensure that the simplicity and flexibility built into the Act is maintained and improved. As the UK is a member of the European Patent Organisation, any UK applicant can make a single application, either via the UK Patent Office or directly to the European Patent Office in Munich, to obtain a patent. This patent will be valid in any combination of up to 24 European countries. The cost of this single application process is significantly less than the cost of applying directly to the Patent Office (or its equivalent) in each European country in which protection is sought.
19. It is much easier for UK businesses if the national and European patent systems apply the same set of concepts and procedures. This ensures that the minimum administrative and regulatory burden applies and that, in effect, the same application can be used to apply for a UK national patent or to apply for a European patent. They can use one single application process, with its associated rules and procedures, to obtain patent protection in a range of European countries as well as in the UK.

Costs for business, charities and voluntary organisations

20. No direct compliance costs have yet been identified for this implementation. The decision to use the European patent system is a matter of choice and depends on commercial considerations. A business or charitable organisation, such as a medical research charity, will decide whether or not the advantages offered by obtaining a patent will justify the cost of the application. The proposed changes are designed to make the European patent system easier and more flexible to use. The proposals have no impact on the voluntary sector.

Consultation with UK interests and with Small Businesses

21. As part of the preparation for the Diplomatic Conference in 2000, extensive consultations on the proposed revisions were carried out with UK interests. This

included consultation with the representatives of small businesses, such as the Federation of Small Businesses (FSB).

22. This consultation was handled through the former Standing Advisory Council on Intellectual Property (SACIP) and a full list of the UK interests consulted is given in the Annex to this RIA (see Annex I).
23. The Chartered Institute of Patent Agents (CIPA) and the Trade Marks, Patents and Design Federation (TMPDF) were jointly represented by a member of the UK delegation to the Diplomatic Conference which agreed this revised text. The UK signed the Final Act of the Diplomatic Conference on the basis that the revised version of the EPC represented a good outcome for UK interests.

C. IMPACT OF PROPOSALS WHICH RELATE CLOSELY TO EPC-BASED CHANGES.

Issue and Objective

24. The second part of the EPC related changes are those changes which, although not formally required to implement the revised EPC, remove damaging inconsistency between the UK and European patent systems and so ensure that practice under the two regimes is as closely-matched as possible. These proposals are outlined in Part C of the consultation document (see paragraphs 55-71).

Costs & Benefits

Proposal (paragraph numbers in consultation document)	Cost	Benefit
Confidentiality of inventor details (56- 61)	Limit the ability of third parties to access inventor details; e.g. to search patent databases using inventor names	Keep an inventor's personal details confidential if requested to do so, e.g. for personal security reasons or to prevent invasion of privacy.
Discretion to amend post grant (62-65)	Conduct of proprietor could no longer be taken into account by court or comptroller. Third parties may incur costs as a consequence.	Proprietor would have right to amend European and UK national Patent applications (provided substantive requirements are met). Reduce cost and time spent on proceedings concerned with validity
Opposition to amendments and corrections (66-69)	Third parties no longer able to oppose an amendment or correction and may have to launch revocation proceedings instead to address the issues.	Easier process would encourage proprietor to amend or correct patent Reduce time required to make amendment or correction Reduce cost and time spent on infringement hearings

Designations on PCT applications (70-71)	No compliance costs as yet identified	Easier to establish the state of the art Consistency between UK approach to new PCT rules and revised EPC (see Part B, paragraphs 41-42)
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D. IMPACT OF THE PROPOSALS WHICH RELATE TO ENFORCEMENT AND POST-GRANT ISSUES

Issue and Objective

25. Knowledge and its management is becoming an increasingly important economic asset in developed first-world economies, such as the UK. In such economies, labour costs are high and economic success is based on high added value rather than low cost. Such high added value is achieved, for example, when innovative technical solutions are involved. Increasingly, given their importance, such innovative solutions are protected by intellectual property rights (IPRs), such as patents.
26. One of the principal reasons for obtaining a patent is that it confers the right on the patent holder to control how his invention is exploited. The patent holder can for example sell, license or mortgage the patent. He also has the right to sue those who infringe his patent and a number of remedies are available if his invention is found to be infringed.
27. Given the growing use of IPRs, the effective enforcement of such rights is becoming an increasingly important issue. In particular, concerns have been expressed that companies, especially SMEs, are finding it harder to enforce their patents against infringers because of the cost – both in terms of finance and time – of court proceedings.
28. The Patent Office has been exploring ways in which enforcement of IPRs and the post-grant provisions of the Act can be improved and a number of issues have been identified. We are seeking contributions from all parties on the possible impact of the proposed measures. In particular, we require strong evidence - for example, quantitative data on costs, data to show that the problem is general, data to indicate that the cost of enforcement is the issue and not just the normal costs of doing business - to support what hitherto has been mostly anecdotal in nature. This is essential to support the case for subsequent legislation following the consultation.
29. The objective of consultation on the following proposals is to determine whether they would improve the enforcement of intellectual property rights, especially for SMEs, and whether improvement is necessary. The proposals are outlined in Part D of the consultation document (see paragraphs 72-118).

Options

30. The options are twofold:
 - (a) Do nothing, or
 - (b) Provide patent holders with a broader range of options for enforcing their patent rights and an improved post-grant regime.

Option (a): Do nothing

31. The Patent Office is actively involved, as part of its regular consultation with users of the patent system, in discussing enforcement issues. A forum – the Enforcement Roundtable - has been set up to facilitate these discussions. From these discussions, it would appear that, currently, there is a high level of dissatisfaction with the enforcement of IPRs mostly for reasons of cost and time.
32. However, as also referred to in paragraph 28 above, some consider that the evidence for this dissatisfaction is anecdotal and not sufficient to warrant a change in current arrangements.

Risk Assessment

33. Patent holders usually employ patent agents (and sometimes barristers) and must go through the full hearing-decision-appeal process (the costs of which are greater in the High Court) before they will receive any compensation. However, by this time it is often too late as they have lost market share. The smaller patentee often does not have the distribution and marketing network that the infringer has and so can in effect be muscled out of the market. Thus, in essence, he can be forced to accept the action by the infringer without any real possibility of recouping his economic loss.
34. If nothing is done, this high level of dissatisfaction will continue and may dissuade companies from making effective use of IPRs.

Option (b): Provide patent holders with a broader range of options for enforcing their patent rights and an improved post-grant regime

35. A number of proposals have emerged as possible ways to provide a broader range of options for enforcing patent rights and improvements to the post-grant regime. The Patent Office raises these issues as part of the consultation process in order to get as much accurate feedback as possible from UK interests on the possible impact of such proposals.

Risk Assessment

36. It has often proved very difficult to get quantitative data in the patents area. However, it is clear that, as the trend for patenting increases, so too will the need for cost effective and efficient methods for enforcement of such rights. Otherwise, obtaining a patent is of little practical use.

Costs & Benefits

Proposal (paragraph numbers in consultation document)	Costs	Benefit
Employee-Inventor Compensation (73-82)	<p>Some cost to employers if employees' claims for compensation become more likely (but cost small in comparison to benefit derived from invention).</p> <p>May lead to an increase in litigation costs.</p> <p>Possible costs for new proprietor if liability follows the patent when it is assigned.</p>	<p>Recognise the valuable contribution that employees make to the business; reward outstanding innovators</p>
Licences of Right (83-84)	<p>Proprietor cannot seek an injunction and can only claim limited damages from persons seeking to import into the UK from outside the European Economic Area (EEA).</p>	<p>Encourages such importers to take out licences of right, with associated monetary benefits for proprietors.</p> <p>May reduce the need for proprietors to launch infringement proceedings against such importers.</p>
Infringement proceedings before the Comptroller (85-88)	<p>Additional costs may arise if decisions of the Patent Office are routinely appealed to the High Court</p>	<p>Less expensive alternative to court proceedings.</p> <p>More friendly environment (reduced formality, greater assistance) in which to litigate.</p> <p>Same basis will apply for bringing all proceedings before the Patent Office</p>
Threats (89-95)	<p>No direct costs to business yet identified</p>	<p>Recognise genuine attempts to settle disputes</p> <p>Improved chance of pre-litigation settlement reduces costs of proceedings</p>

Issues involving co-ownership of a patent (96-100)	If co-owner can revoke, there is (a) cost of revocation proceedings and (b), if successful, loss of income (e.g. licensing fees) from revoked patent	Increased legal certainty over status of co-owners
	If co-owner restricted to entitlement proceedings, no additional costs yet identified.	Increased legal certainty over status of co-owners. Income from patent e.g. from licensing, still possible.
Jurisdiction over amendment after grant (101-104)	No direct costs to business yet identified	Increased certainty over when proprietor may offer amendments during proceedings
Post-grant re-examination (105-113)	The Patent Office has to recover the costs of all services it provides and so would levy a charge for this service. However, this cost would be incurred only if an applicant chooses to use the service.	Provide low-cost assessment of validity instead of (or prior to) any proceedings taking place Would also assist in the take-up of patent insurance schemes Discourage unrealistic counterclaims for invalidity in infringement proceedings
Security for costs (114-118)	No compliance costs as yet identified	Greater legal certainty over when security for costs may be awarded Removes the need for regular statutory amendment

E. IMPACT OF PROPOSALS FOR MODERNISATION OF THE ACT

Issue & Objective

37. An effective, flexible and up-to-date regime for patenting is essential to sharpen UK industry's incentive to innovate. The Patents Act 1977 has been in operation for 25 years. Within that time there have been enormous changes in the role and use of IPRs, such as patents, in business. In such a changing environment, a government agency, such as the Patent Office, must constantly review the service it provides to ensure that it is meeting the needs of its users.
38. The Patent Office seeks to provide as up-to-date, effective and flexible a service as possible to its users. As a result, we have reviewed the Act with a view to identifying those areas which require attention. We have sought to identify those changes which would:
- i) Remove unnecessary regulation;
 - ii) Provide greater consistency with recent legislation;
 - iii) Improve access for customers to Patent Office services; and
 - iv) Address problems raised by the courts.
39. The proposals are outlined in Part E of the consultation document (see paragraphs 119-145). The proposed changes can only be made by primary legislation. We are particularly keen to obtain as much evidence as possible on the impact of these changes.

Options

40. There are two options:
- (a) Do nothing or
 - (b) Update, streamline and modify the system to meet customer needs

Option (a): Do nothing

41. Most legislation is found to contain inconsistencies and problems never realised at the time of drafting or that occur through changes in other pieces of legislation. Furthermore, in the case where such legislation governs a service such as the granting of patents, the needs of customers may change with time. These problems, especially if they result in a customer being unable to obtain the service he requires, often distract from the value and usefulness of the legislation as a whole. Opportunities to address such problems by primary legislation are very few.

Risk Assessment

42. To do nothing in this case will not (in most cases) prevent UK applicants from obtaining their patents, but will nevertheless leave in place a less flexible and more burdensome patents system for customers than we could otherwise achieve.

Option (b): Update, streamline and modify the system to meet customer needs

43. The Patent Office considers that, as indicated in paragraph 38 above, these proposals would be the most useful and effective modifications of the Act. However, we very much welcome comments as to whether users of the patent system consider that the impact of these changes would in fact be of benefit.

Risk Assessment

44. Updating the Act as proposed would iron out a number of delays and anomalies in the patents system without (as far as we can tell) imposing any direct cost on business (see below).

Costs & Benefits

Proposal (paragraph numbers in consultation document)	Costs	Benefit
Entitlement (120-122)	No compliance cost to business as yet identified	Rightly-entitled applicant retains the original filing date Overcomes effect of disclosure of application contents by unsuccessful party in entitlement proceedings
Renewal Fees (123-126)	No compliance cost to business as yet identified	Simplify payment dates for patent proprietors and their agents Simplify record & diary systems of patent proprietors and their agents, thus reducing likelihood of penalty payments for late renewal fees Reduce numbers of

		restoration hearings
International PCT applications – early Entry into National Phase (127-128)	No compliance cost to business as yet identified	Increased legal certainty for all parties, including concerning the duration of provisional protection
Hours of Business & Excluded Days (129-133)	No compliance cost to business as yet identified	Office can respond faster and more flexibly to customer needs and expectations.
Comptroller’s annual report (134-135)	No compliance cost to business as yet identified	Legal clarity for all stakeholders in the patents system.
Patents Forms (136-139)	No compliance cost to business as yet identified	Reduce time taken for Patent Office to implement changes such as simplification of Patent Forms. Office can respond faster and more flexibly to customer needs and expectations. Increased legal certainty - same arrangements apply for Patents and Trademarks
Treasury Consent for Patents (fees) Rules and Remuneration of Advisors (140-141)	No compliance cost to business as yet identified	Remove unnecessary bureaucracy and delay
References to the Community Patent Convention (142-145)	No compliance cost to business as yet identified	Update and simplify interpretation of the Act for all users of the patents system, including removal of provisions which have never been brought into force.

**UK INTERESTS CONSULTED ON THE REVISED VERSION OF THE
EUROPEAN PATENT CONVENTION (EPC 2000)**

The Law Society
The Law Society of Scotland
The Bar Council
The Institute of Patentees and Inventors
Trade Marks, Patents and Designs Federation (TMPDF)
Confederation of British Industry (CFI)
University of London, Queen Mary and Westfield College
British Retail Consortium
Incorporated Society of British Advertisers
Chartered Society of Designers
Chartered Institute of Patent Agents (CIPA)
Institute of Trade Mark Agents (ITMA)
Association of British Chambers of Commerce
Consumers Association
National Consumers Council (NCC)
The Federation of Small Businesses (FSB)
Licensing Executives Society (LES)
International Federation of Industrial Property Attorneys (FICPI)
International Chambers of Commerce (UK)
Association of the British Pharmaceutical Industry (ABPI)
Intellectual Property Institute (IPI)
London Chamber of Commerce & Industry
Institute of Practitioners in Advertising (IPA)
Anti-Counterfeiting Group
Intellectual Property Lawyers Association (IPLA)
The British Brands Group
Patent and Trade Mark Group Institute of Information Scientists
Patent Judges
The Intellectual Property Sub-committee of the City of London Law Society
British Pharma Group
The British Agrochemicals Association Limited
British Generics Manufacturers Association

[End of draft RIA]

ANNEX B: WHERE COPIES OF THIS CONSULTATION HAVE BEEN SENT

Member organisations of the former Standing Advisory Committee on Industrial Property (SACIP), which are:

The Law Society
The Law Society of Scotland
The Bar Council
The Institute of Patentees and Inventors
Trade Marks, Patents and Designs Federation
Confederation of British Industry
University of London, Queen Mary and Westfield College
British Retail Consortium
Incorporated Society of British Advertisers
Chartered Society of Designers
Chartered Institute of Patent Agents
Institute of Trade Mark Attorneys
Association of British Chambers of Commerce
Consumer's Association
National Consumers Council
Federation of Small Businesses
Licensing Executives Society

Organisations which formerly received SACIP papers, namely:

International Federation of Industrial Property Attorneys
International Chambers of Commerce
Association of the British Pharmaceutical Industry
Intellectual Property Institute
London Chamber of Commerce and Industry
Institute of Practitioners in Advertising
Anti-Counterfeiting Group
Intellectual Property Lawyers Association
British Brands Group
Patent and Trade Mark Group, Institute of Information Scientists
The Patent Judges
The Intellectual Property Sub-Committee of the City of London Law Society
British Pharma Group
The British Agrochemicals Association Limited
British Generics Manufacturers Association

Other interested Organisations

The Council on Tribunals

The named contacts in the following organisations


Organisation	Name
Agricultural Engineers Association	M Darke
Anti-Counterfeiting Group	ACG Secretariat
Anti-Counterfeiting in Design (ACID)	S Clark
Arnander Irvine & Zietman	A Ridout
Arnander, Irvine & Zietman	B Isaac
Ashurst Morris Crisp	E Clarke
Ashurst Morris Crisp	I Starr
Association for University Research and Industry Links (AURIL)	P Graham
Association of British Insurers	P Coombs
Babcock International Ltd	D Lewis
Baker McKenzie	F Durrant
Baker McKenzie	S Pandya
Baker McKenzie	J Foguel
Bar Council	C Morcom
Berwin Leighton	V Bonney
Biotechnology and BSRC	D Mair
Boult Wade Tennant	S Merrifield
British Generics Manufacturers Association Ltd	P Duke
British Generics Manufacturers Association Ltd	A Spooner
British Library	S van Dulken
British Meat Poultry Federation	P Bradnock
British Pharmaceutical Group Ltd	S Sargent
British Retail Consortium	G Wynn
Cardiff Law School	H Johnson
Centre of Research for Intellectual Property & Technology (SCRIPT)	L Morrison
Chemical Industries Association	A Khandelwal
Confederation of British Industry	C Edrupt
Consumers' Association Ltd	M Childs
Cranfield University	E Henderson
Crop Protection Association	S Long
Dialogue Data Management	E Gammell
EC Laws Committee - LES Britain & Ireland	S Singleton
Eureka Manufacturing Co Ltd	P Ng
Frank B Dehn & Co	R Jackson
Freshfields	J Wright
Gallafent & Co	R Gallafent
Greenpeace	D Parr
Harbottle Lewis	D Hooker
Incorporated Society of British Advertisers	D Bond
Institute of Trade Mark Attorneys	D Evans
Institute of Trade Mark Attorneys (ITMA)	M Tyler
International Chambers of Commerce	R Fawcett
Inventorslink Inc	L Goikhman
Linklaters Paines	R Whaite
Lovells	A Arnold

Magister Ltd	S Adams
Mewburn Ellis	R Watson
Ministry of Defence	R Beckham
Norton Rose	S McDonald
Olswang	S Carter
Pfizer Limited	G Samuels
Preventative Medicines Tech Inc.	B Quinlan
Sheffield Institute of Biotechnological Law and Ethics - Sheffield University	M Adcock
State Patent Bureau of the Republic of Lithuania	S Daukuvience
Student	B Guyen
The Association of the British Pharmaceutical Industry (ABPI)	A Hunter
The British Brands Group	P Walsh
The Chartered Institute of Patent Attorneys (CIPA)	M Ralph
The International Federation of Intellectual Property Attorneys (FICPI)	T Johnson
The International Maize and Wheat Improvement Centre (CIMMYT - Spanish Acronym)	S Sullivan
The Law Society	D Harriss
The Law Society	L Speke
The Law Society of Scotland	S Fleming
Trademarks, Patents and Design Federation (TMPDF)	G Ashman
University of Alicante	T Harman
University of Cambridge	W Cornish
University of London - Queen Mary Westfield College	A Firth
University of Oxford	M Spence
Vereenigde	L Jessen
Visteon Global Technologies	P Orton

The following individuals:

K Baah
J Barry
M Fish
J Ridgway
A Schaefers
J Curran
M Patin

ANNEX C: GENERAL PRINCIPLES OF CONSULTATION

1. This consultation is being conducted according to the Code of Practice on Written Consultation issued by the Cabinet Office (available from the Cabinet Office web site at www.cabinet-office.gov.uk/servicefirst/2000/consult/code/consultationcode.htm ). This recommends the following criteria:
 1. Timing of consultation should be built into the planning process for a policy or service from the start, so that it has the best prospect of improving the proposals concerned, and so that sufficient time is left for it at each stage.
 2. It should be clear who is being consulted, about what questions, in what timescale, and for what purpose.
 3. A consultation document should be as simple and concise as possible. It should include a summary, in two pages at most, of the main questions it seeks views on. It should make it as easy as possible for readers to respond, make contact or complain.
 4. Documents should be made widely available, with the fullest use of electronic means (though not to the exclusion of others), and effectively drawn to the attention of all interested groups and individuals.
 5. Sufficient time should be allowed for considered responses from all groups with an interest. Twelve weeks should be the standard minimum period for consultation.
 6. Responses should be carefully and open-mindedly analysed, and the results made widely available, with an account of the views expressed, and reasons for decisions finally taken.
 7. Departments should monitor and evaluate consultations, designating a consultation co-ordinator who will ensure the lessons are disseminated.

Comments about the consultation process

2. If you have any comments or complaints about how this consultation process is being handled, please tell the Patent Office's Consultation Co-ordinator, who is:
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The Patent Office
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