

Title: Expansion of the Patents Opinion Service IA No: BIS0349 Lead department or agency: IPO Other departments or agencies:	Impact Assessment (IA)			
	Date: 17/01/13			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
	Contact for enquiries: Phil Thorpe 01633 813745 phil.thorpe@ipo.gov.uk			
Summary: Intervention and Options			RPC Opinion: GREEN	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£-m	£-m	£-m	Yes Zero Net Cost

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

For many companies the cost involved in resolving disputes about their own or other peoples' Intellectual Property (IP) through litigation can be prohibitively expensive. The Patent Opinions Service provides a non-binding alternative dispute resolution procedure, and a consultation launched by the IPO into the expansion of this service supported an earlier review of the service in demonstrating that there is a demand from stakeholders for it to cover a wider range of patent disputes. Also the IPO is currently prevented from seeking the revocation of patents that opinions have concluded to be clearly invalid, thereby reducing legal certainty. Addressing both of these problems requires a change in legislation.

What are the policy objectives and the intended effects?

The policy objective is to expand the scope and effectiveness of the Patent Opinions Service by:

- increasing the scope of patent disputes on which an opinion can be issued.
- introducing a power for the IPO to revoke a patent that an opinion has concluded is clearly invalid.

The reforms will enable companies to resolve more of their IP disputes through the opinions service without having to resort to costly litigation through the office or the courts. They will also remove the burden of them having to litigate to revoke patents that opinions have concluded are clearly invalid.

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

Option 1 - Do nothing. The IPO will continue to operate the existing statutory opinions service.


Option 2 – Enhance the existing opinions service by:

- a) Expanding the grounds on which opinions can be requested to cover additional questions on validity;
- b) Expanding the service to also cover the validity and infringement of Supplementary Protection Certificates which expand the effective protection of patents to compensate for regulatory delays
- c) Expanding the power under which the IPO is able to instigate revocation proceedings

The chosen option is do everything under Option 2 as this will deliver the greatest benefit to patent proprietors and third parties.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2019					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: n/a	Non-traded: n/a	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY:  Date: 10 April 2013

Summary: Analysis & Evidence

Policy Option 1

Description: Enhancing the existing opinions service

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	High: 0	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	-	-	-
High	-	-	-
Best Estimate	-	-	-

Description and scale of key monetised costs by 'main affected groups'

It has not been possible to monetise overall costs. The consultation sought evidence on the costs to business but did not receive any specific detail. The consultation responses indicated that there would be an increase in the use of the opinions service but did not provide any indicative figures. Current best estimates of per case costs are included in the evidence base as an illustration. Given that requesting an opinion will always be cheaper than court costs, any costs will be a cost saving compared to the alternative.

Other key non-monetised costs by 'main affected groups'

Business will have to pay for an official fee of £200 per opinion. There is also a cost to the IPO for each opinion undertaken (average cost £2,150).

Legal/patent attorneys and the court system may have a reduction in cases due to fewer going to court, although the reduction in the number of cases is not expected to be significant.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	-	-	-
High	-	-	-
Best Estimate	-	-	-

Description and scale of key monetised benefits by 'main affected groups'

It has not been possible to monetise the overall benefits at this stage -the consultation sought further evidence on likely saving per litigated case avoided and the likely change in number of opinion requests to allow quantification, but no further information was received. However the consultation indicated that the changes would be particularly beneficial to SMEs who find it difficult to finance litigation proceedings. Current best estimates of per case benefits are included in the evidence base as an illustration.

Other key non-monetised benefits by 'main affected groups'

The proposal will further improve legal certainty without recourse to litigation for patent owners and parties concerned with infringing a patent saving them between £30k and £1.5M for each litigated case that is avoided. The Courts and IPO will save on their costs for each litigated case avoided. Enabling the IPO to start revocation proceedings where a patent is shown by an opinion to be clearly invalid will remove the burden of doing so from companies.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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Risks:- Expanding the scope of the service may encourage opinion requests that are unconnected to any real or potential dispute between parties but rather based on more general questions of patent policy for example patenting of computer programs or biotechnological inventions.

Assumptions:- that the results of the survey conducted in 2009 represent the current view of users of the service.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: -	Yes	Zero net cost
Benefits: -		
Net: -		

Evidence Base (for summary sheets)

References

No.	Legislation or publication
1	Review of the Opinions Service 2009-2010 http://www.ipo.gov.uk/opinion-surveyresponse.pdf
2	Digital Opportunity: A review of Intellectual Property and Growth (The Hargreaves Review of IP) - http://www.ipo.gov.uk/ipreview.htm
3	Gowers Review of Intellectual Property http://www.official-documents.gov.uk/document/other/0118404830/0118404830.pdf
4	Lord Justice Jackson – Review of Civil Legislation Costs http://www.judiciary.gov.uk/publications-and-reports/review-of-civil-litigation-costs

Background

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 Intellectual Property Office (IPO) is the statutory body entrusted with granting patents in the UK. For a patent to be granted it must satisfy a number of legal requirements. These include that the invention is new and that it involves an inventive step, in other words it is not obvious. The specification describing the invention must also properly disclose the invention. It is the role of the IPO to examine patent applications to ensure that these legal requirements are met.

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 for example has the right to sue those who infringe his patent and a number of remedies are available if it is found to be infringed.

A supplementary protection certificate (SPC) is a special form of intellectual property (IP) aimed at compensating the owner of a patent for a pharmaceutical or plant protection product for any delays in the market authorisation process. A certificate can extend the effective protection conferred by the patent for up to 5½ years.

Disputes relating to the infringement or validity of patents and SPCs may be heard either before the IPO or before the courts.

Problem under consideration

The cost of resolving patent disputes

Given the growing use of Intellectual Property Rights (IPRs), the effective enforcement of such rights is an increasingly important issue. As acknowledged in the Hargreaves Review of Intellectual Property¹, the Gowers Review of Intellectual Property² and the Jackson Review of Civil Litigation Costs³, for many companies the costs and time involved in resolving a patent dispute is a real barrier to maximising the value of their Intellectual Property (IP). Such costs can represent a disincentive to innovate, either because of costs of protecting own IP or costs of challenging obstructions but weak patents used by others to block entry, especially for SMEs for whom such action may be unaffordable. Legal disputes will always be part of the IP process but should only occur if parties have a genuine dispute that cannot be resolved any other way.

¹ <http://www.ipo.gov.uk/ipreview.htm>

² http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/gowers_review_index.htm

³ <http://www.judiciary.gov.uk/NR/rdonlyres/8EB9F3F3-9C4A-4139-8A93-56F09672EB6A/0/jacksonfinalreport140110.pdf>

In 2005 the IPO introduced a Patent Opinions Service to help parties resolve their disputes without the need for costly litigation. Upon request, the IPO will issue a non-binding opinion on issues of infringement or validity of patents. Before issuing an opinion the IPO gives any interested party the opportunity to file observations. Hence for example where a company asks for an opinion on whether a patent is valid then we will give the patent holder an opportunity to comment on the request. The service has been a success. Since its introduction we have issued approximately 150 opinions including a significant number for SMEs. The service currently however only extends to questions on:

- Whether a patent is or might be infringed
- Whether the patent is invalid because it is not new or not inventive

While this covers the majority of issues that might arise in any dispute there are also other grounds on which the validity of the patent can be challenged on which we are not able at present to issue an opinion. If a party wishes to raise additional issues then it must do so through costly litigation before the IPO or the Court. The Opinions Service also does not currently extend to questions of validity or infringement of Supplementary Protection Certificates (SPCs) – another area where IP disputes can arise.

Invalid patents can present barriers to others which prevent them from undertaking activities to which they are legitimately entitled

A further issue arises due to revocation of patents. Any opinion issued by the IPO is non-binding. Hence even where an opinion concludes that a patent is clearly invalid then that patent remains in force unless someone (other than the IPO) instigates revocation proceedings. The continued existence of such patents can discourage companies from undertaking activities that are entirely legitimate. The current legislation provides the IPO with very limited powers to instigate at its own initiative revocation proceedings against clearly invalid patents. Rather it places the burden for doing that onto others.

Rationale for intervention

The Hargreaves Review noted that the costs of enforcing IPRs can be a disincentive to innovate and there is a need to improve accessibility of the IP system to SME's who:

- Currently hold IP for whom the cost of enforcing IP is a barrier
- Who do not hold IP but are involved in disputes over IP held by others

For SMEs in particular, the costs associated with litigated disputes over patents can be a real barrier to accessing effective dispute resolution. A review of the service⁴ conducted in 2009 indicated that 45% of respondents considered that the opinion, even though it was non-binding had helped to resolve their dispute. It also showed a significant desire from users for the service to be expanded to other areas of patent disputes, especially from those who had already used the service. Although we do not expect the numbers of opinions requested to significantly reduce the number of litigated disputes, we do expect the proposed changes to improve access to dispute resolution for SMEs who currently face difficulties arising from the costs of litigated disputes.

The current service is legislated for in primary legislation – the Patents Act 1977 and new legislation is needed to bring about the proposed changes. The main purpose of the policy in this area is to modify some existing provisions and create new ones so as to improve the environment for enforcement of patents for the benefit of everyone.

In particular, the intended effect is to enable parties to settle more disputes without the need for expensive and time-consuming litigation, the costs of which often preclude SMEs from access to effective resolution of these disputes.

Recent improvements to the operation of the Patents County Court have reduced costs of enforcing and challenging patents. The introduction of the IPO's Patent Opinions Service has also provided an alternative route for resolving patent disputes. But more can be done - as noted above the service does not extend to all questions relating to the validity of a patent. The presence of patents that the IPO considers to be invalid following the issuing of an opinion can prevent others from undertaking activities to which they may be legitimately entitled. While other parties can begin action to revoke these patents it can be costly for them to do so. Placing the onus on the IPO to revoke those patents that an opinion has

⁴ <http://www.ipa.gov.uk/opinion-surveyresponse.pdf>

concluded are clearly invalid will remove a burden from companies who will otherwise have to bear the costs of revocation.

Policy objective

The overall objective is to improve legal certainty for companies without them having to resort to costly litigation. More specifically the proposed measures seek to:

- increase the efficiency of IP dispute resolution and ensure that disputes are resolved through the most appropriate route thereby increasing the number of disputes resolved through alternative dispute resolution;
- increase accessibility of patent dispute resolution to those who can otherwise not afford it;
- remove barriers arising from invalid patents which prevent others from undertaking activities to which they are legitimately entitled.

The proposed new approach will ensure that a stronger focus is placed on alternative dispute resolution, through an improved Patent Opinions Service.

Affected stakeholder groups, organisations and sectors

These proposals are likely to affect the following sectors and groups:

- Patent and SPC owners: The way that patent and SPC owners precede with IP disputes will be changed.
- Other interested parties – these could be parties seeking an opinion on the validity of the patent or parties concerned about possibly infringing a patent as well others who are not parties to the opinion process but may have an interest in the opinion.
- Legal professionals in particular litigators: The changes will affect any owners and other parties' solicitors dealing with disputes that fall within scope of these proposals.
- Intellectual Property Office: There is likely to be an impact on the IPO both in its function of handling opinion requests and in its tribunal function when dealing with IP disputes. Changes in the number of requests for opinions will have an impact as will a change in the number of hearings required to resolve patent disputes.
- Courts: There is likely to be an impact on the courts dealing with these cases if the process results in a change in the number of cases settled via opinions, rather than requiring case management and final hearings.
- Patent attorneys: Changes in the numbers of opinions being undertaken will affect the amount of work available for patent attorneys who provide similar services.

Description of options considered (including do nothing)

Option 0 - Do nothing.

Description

The IPO will continue to operate a statutory opinions service as it currently operates.

Costs/Benefits

Under the do nothing option the IPO will continue to offer the Patent Opinions Service it currently provides. Parties will be able to request opinions on questions relating to infringement, and validity but only in respect of novelty and inventive step.

Parties seeking to challenge the validity of the patent on other grounds will need to instigate proceedings before the IPO or the Court.

Also the IPO will only be able to initiate revocation proceedings in the current very limited circumstances. Where an opinion clearly concludes that a patent is invalid then except in these very limited circumstances, other parties will need to instigate revocation proceedings if they wished to revoke the patent.

The “do nothing” option is compared against itself and therefore its costs and benefits are necessarily zero, as is its Net Present Value (NPV). This option will not meet the policy objective.

Option 1(a) - Grounds on which opinions can be requested are expanded to cover additional questions on validity

Description

Patent law provides a number of grounds on which the validity of a patent can be challenged. The current Opinions Service only extends to a limited number of these. This means that in some cases all of the questions surrounding validity of a patent cannot be resolved using the Opinions Service and such cases will, if the interested party can afford it, continue to proceed to a hearing before the IPO or court.

48% of all respondents to the review⁵ of the Opinions Service supported expanding the service to at least one other area of patent law whilst only 20% opposed such an extension. Support for expanding the service was even greater (66%) amongst those who had used the service. The response to the consultation was overwhelmingly in support of expanding the service to each of those areas of invalidity suggested in the consultation.

We propose therefore to more closely align the questions on which opinions on patent validity can be sought with those grounds on which a patent can be revoked. Under the proposal, opinions can be requested on all questions seeking a view on whether the patent represents a patentable invention, whether it is sufficiently well described, whether the applicant has added information to the patent after filing an application or whether the extent of the monopoly provided by the patent has been extended further than it should have been.

The practice under the current service is to refuse any opinion request that does not raise a new question. This avoids patent holders from having to commit resources to address questions that have already been properly considered during the examination of the patent. We will continue to apply the same practice to the expanded areas of patent law covered by this proposal.

Costs and benefits

Business

The opinions service is a voluntary service in that nobody is required to request an opinion nor is anyone required to make observations in response to a request. In many cases however the patent holder, when the validity of their patent is questioned or the alleged infringer does make observations.

The official fee payable by the requester of the opinion is £200. This is regardless of whether they are a multinational corporation, an SME or a private individual. In addition the requester must also prepare and submit a statement setting out clearly the question on which it wants an opinion. Such statements are typically produced with professional advice.

The cost to the patent holder or the alleged infringer of responding to the opinion request is the cost of preparing their observations which are also typically produced with professional advice. It is difficult to estimate this cost which will vary considerably depending on the nature and complexity of the request.

⁵ <http://www.ipa.gov.uk/opinion-surveyresponse.pdf>

We requested further information on this in the consultation however only one respondent provided an example of a cost involved in the use of an opinion as a tool in negotiation. They considered that both sides spent around £5,000 in legal fees during the opinion and the later negotiation process; however they acknowledged that litigation proceedings would have cost them “many, many times more”

If the dispute is resolved through use of an opinion and without the need to litigate, it will save all sides the expense of litigation. Whilst it is difficult to assess the likely savings from avoiding litigation given the variations in the nature of each case, a typical challenge on the grounds of validity may cost a party approximately £30,000 before the IPO, £50,000 before the Patents County Court and between £200,000-£500,000 before the High Court. More complex cases can be even more expensive⁶. SMEs generally see the cost of litigation before the courts as inhibitory. A survey⁷ commissioned by the Hargreaves Review revealed that 52% of SMEs reported that costs of IP enforcement limited their use of the IP system. Expanding the opinions service to other areas of validity will provide SMEs an opportunity to dispute a patent that they may not otherwise have due to the costs involved. The consultation responses overwhelmingly agreed that expanding the service would be of benefit to micro-business, SMEs and start-up businesses.

There may also be other companies not involved with the opinion who nevertheless may gain greater legal certainty from the outcome of the opinion. For example there may be other companies who are worried about possible infringement of a patent who would gain from seeing the outcome of a validity or infringement opinion on that patent that was requested by another company.

Further information was sought during consultation on the likely savings arising from avoiding litigation and on the likely increase in the number of opinions that the proposed changes will bring about. However, whilst it was generally agreed by the respondents that expanding the service would reduce costs, particularly for SMEs who could use the opinion as a negotiation tool, no quantitative evidence was provided on what these savings would actually be. Given that these are likely to vary hugely depending on the case it is not possible to provide a general estimate. It was also generally acknowledged that there would be an increase in opinion requests as this would provide more businesses with a quick and cheap means to access legal comfort, but again no indicative figures were provided.

IPO

The IPO will see an increase in the number of opinion requests before the IPO, and therefore there will be an increased cost for the IPO in issuing opinions. An opinion request, on average, costs the IPO £2,150 though this can vary substantially depending on the nature of the request. These costs include staff and administrative costs incurred as a result of handling and issuing opinions. At present the IPO issues around 30 opinions per year, and it is estimated that the increase in numbers will be relatively small. Whilst we sought information on the potential increase in numbers at consultation, no figures were given. However, the consultation seemed to suggest that whilst there would be a small increase in requests, it is likely that the additional grounds for invalidity will be added to requests as currently received on novelty and inventive step. Research by Helmers and McDonagh⁸ paper shows that there were 80 revocation cases in the Patents High Court each year of which over 40% resulted in finding of invalidity (from 2000 to 2008), plus more in the Patents County Court (which may rise as the PCC has been made more accessible). It is not possible to show how many of these cases would be replaced by the proposed patent opinion system but it does show that there is clearly a demand and as both large and small firms said they will use the opinions it is a very clear indication that the increase will not be zero.

As noted the IPO as a tribunal role hears disputes relating to the validity of patents. Over the past 14 years there have been 24 inter-partes actions (disputes involving two opposing parties) before the IPO where the validity of a patent has been challenged based on one or more of the proposed expanded grounds. An inter-partes action costs the IPO on average £10,000 though this varies considerably depending on the nature of the case. It is envisaged that an opinion will reduce the number of inter-

⁶ <http://www.dyoung.com/article-patentrevocation>

⁷ SME Access to Intellectual Property Services – TNS-BMRB Survey 2011

⁸ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154939

partes hearings on these grounds conducted before the IPO. For each opinion request that resolves a dispute without the need for such an inter-partes action, the IPO will make an average saving of £7,850.

Legal professionals

The use of an opinion to resolve a dispute instead of legal proceedings will have an impact on legal professionals as there may be fewer cases for them to litigate before the courts. This impact will be mostly offset by the reduced requirement to commit resources to undertake this work. We do not expect this to have any significant impact as we consider that a competitive legal firm would find alternative work to replace any lost work as a result of the patent opinion service.

Patent attorneys

Patent attorneys will also be affected in their advisory role and also in the need for them to provide advice on the merits of potential court proceedings as there may be fewer cases that are litigated before the courts. However, they will benefit by acting on behalf of the interested parties requesting or responding to an opinion and this will balance out any negative impact from a reduced advisory capacity. It is therefore considered that there will be no overall impact on the patent attorneys.

Courts

The number of patent cases that are litigated in the courts is already low. The number of cases that will either not proceed to litigation or be litigated more efficiently because of these proposals is also likely to be small. [For a significant number of parties that request an opinion litigation before the courts is simply not an alternative option due to the costs involved] However, a patent opinion that does resolve a dispute that otherwise might have been subject to litigation before the courts will allow the court to devote their resources elsewhere.

Option 1(b) - Grounds on which opinions can be requested are expanded to the validity and infringement of Supplementary Protection Certificates (SPCs)

Description

SPCs provide an extension to the term of monopoly provided by a patent to account for the delay in bringing a product to market arising from regulatory and clinical trials requirements. Under this proposal, as well as expanding the Patent Opinions service to additional questions of validity, opinions can be requested on whether an SPC is valid or if it is infringed.

The majority of the responses to the consultation agreed that the service should be extended to cover the validity and infringement of SPCs.

Costs and benefits

Business

As in option 1(a), the SPC opinion request will incur a fee of £200 for patent owners or other interested parties. If the dispute is resolved without the need to initiate court proceedings then this will save the other interested party or the patent owner the significant costs associated with court proceedings. Again this will be particularly beneficial to SMEs; SPCs are generally held by large pharmaceutical companies, who are not averse to bringing forward court proceedings against potential infringers of the SPC. In view of this SMEs in particular, if threatened with legal action, may stop the activity that the owner of the SPC considers infringing, in order to avoid the costs of an infringement action before the courts. However, an opinion will allow the SME to gain an impartial view on whether their act is infringing, and whether they have a freedom to operate in that area. The publication of such an opinion may provide greater legal certainty for other companies concerned about possibly infringing the patent.

Further information was sought during consultation on the likely savings arising and the increase in numbers, however, no indicative figures were provided and we would expect this to vary significantly from business to business. Many of the responses to the consultation from professional representative bodies suggested that it would be unlikely that large pharmaceutical companies would use the service, but that SMEs and smaller generics companies are likely to benefit from the service by either using the service to test the water prior to embarking on litigation before the courts or for those who simply cannot

afford to litigate by allowing them to at least get an independent assessment of their case. However, one large corporation, Pfizer, indicated that they may make limited use of the service in relation to SPCs, despite not using the service in relation to patents.

IPO

The cost to the IPO of producing an opinion on the validity or the infringement of an SPC will be the same as the cost for a patent opinion. The cost to the IPO per request will therefore be the same as the cost of an individual opinion as set out in option 1(a). The IPO grants around 60-100 SPCs each year – experience from the current Opinions Service suggests that the number of SPC opinion requests is likely to be very small, at most around 1 request for every 150 SPCs granted. Further information on the likely number was sought at consultation, however no figures were provided. Nevertheless, the responses confirmed that the number of requests in this area are likely to be very small, but still of substantial value.

Legal professionals/patent attorneys/courts

As with option 1(a), there will be an impact on the legal professionals if the opinion were to resolve a dispute without the need for litigation before the courts. However, the number of opinion requests for SPCs is likely to be very small, and given the nature and value of SPCs the number of opinions that resolve a dispute without the need for litigation is likely to be minimal. Consequently the impact on the legal professionals, including patent attorneys, and the courts will be negligible.

Option 1(c) –The power under which the IPO is able to instigate revocation proceedings at its own volition is expanded to cover any situation where an opinion concludes that a patent is invalid

Description

A patent can be revoked if it is not valid. This may happen because a new document comes to light that shows the patent is not new or inventive or if any of the other requirements for patentability are shown not to have been met. Action to revoke a patent can be started by any interested party. The IPO can also start revocation action in certain limited situations. As the law currently stands this does not extend generally to the situation where the IPO has issued an opinion that a patent is not valid. This means that a patent which the IPO considers invalid will remain in force unless another interested party begins action to revoke this patent.

It is therefore proposed that the IPO is given an option to begin revocation action once an opinion has concluded that a patent is clearly invalid. Once revocation action has begun, the patent holder will have the opportunity to make arguments and present evidence before a decision is made on whether the patent should be revoked. If a decision is made to revoke the patent the patent holder will have an opportunity to appeal this decision to the court.

Costs and benefits

Business

There will be no costs for other interested parties. They will benefit from not needing to start litigation proceedings to revoke the patent, thereby saving on these costs as outlined in option 1(a). The patent owner will incur costs if they submit arguments and/or evidence to the IPO or if they decide to appeal a revocation decision. However, any costs faced by the patent owner will not be any greater than those incurred when revocation action is initiated by someone other than the IPO. The patent owner can also avoid litigation costs by surrendering or amending their patent. Some of the responses to the consultation expressed a concern that patent holders would be forced to respond more fully to an opinion request than they do currently. However, the patent holders do generally provide a full response to an opinion request that challenges validity and therefore this proposal would not significantly add to the costs at the opinion stage. By limiting the revocation proceedings to those situations where invalidity is clear cut we believe that we will be limiting the number of proceedings that are appealed to the courts.

SMEs in particular will benefit since they will not have to start revocation proceedings before the IPO or the courts. One respondent was quoted £100,000 in order to bring revocation proceedings against a competitor who's patent was found to be invalid following an opinion request. However, this cost was

prohibitive and therefore the SME could not initiate revocation proceedings leaving the invalid patent still in force and giving a commercial advantage to the competitor.

This proposal will also help provide legal certainty to business that patents on the register are indeed valid, and also provide increased reassurance to patent owners of the validity of their patents.

IPO

The cost to the IPO of revoking a patent is likely to be negligible in the clearest cases and around £2000 if the patent proprietor asks to amend the patent or challenges revocation. There are currently 40 patents that have been found to be invalid following an opinion. This equates to around 10 patents per year. The IPO will therefore be faced with the additional cost each year of up to a maximum of around £20,000. Increased costs will also be incurred as a result of any appeal following a decision to revoke the patent.

The IPO may see an increase in the number of opinions request as this will provide a quick and relatively cheap means for other interested parties to seek revocation of a patent. The consultation also raised the concern that this proposal may lead to an increase in frivolous requests for an opinion. However, the IPO has broad powers to refuse opinion requests that are considered to be frivolous or vexatious.

Legal professionals/patent attorneys/courts

The impact/ benefits to the courts will be the same as option 1(a).

Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

While it has not been possible to estimate the costs per case on stakeholders these are the best available estimates. We sought further clarification on costs at consultation but the evidence provided was limited.. We also sought evidence on the likely number of opinion requests arising from the proposals and the number of litigated cases that are likely to be unnecessary in order to allow better quantification of the costs and benefits for business, and on the IPO and other stakeholders. Again the response was limited although many respondents suggested that there would be an increase in the usage of the service which may lead to a reduction in the number of litigated cases. The costs to business are expected to be outweighed by the benefits.

Risks and assumptions

The proposals seek to build on the success of an existing service by expanding the scope of disputes that can be considered. The risks associated with doing this are not considered great. There is a risk that expanding the scope of the service may encourage opinion requests that are unconnected to any real or potential dispute between parties. For example requests may be based on more general questions of patent policy for example the patenting of computer programs or biotechnological inventions. The existing legislation however enables the IPO to refuse opinion requests which it considers vexatious or frivolous and this will mitigate against this risk.

We have based the proposals on feedback from users in particularly on the results of the review⁹ conducted in 2009. We have assumed, with we believe some justification given our ongoing contacts with users of the service, that the results of the survey continue to represent their views.

⁹ <http://www.ipa.gov.uk/opinion-surveyresponse.pdf>

Direct costs and benefits to business calculations (following OITO methodology)

Under the “One In, Two Out” rule, a measure that has a net cost to business must have a measure or measures of equivalent cost removed in order to be implemented. This Impact Assessment aims to introduce regulation and is therefore an In. The regulation introduced will result in an extension to an entirely optional service that businesses can use. Therefore there is no direct cost to business unless they wish to use the service. For this reason we have counted this as a zero-cost measure.

Wider impacts (consider the impacts of your proposals, the questions on pages 16 to 18 of the IA Toolkit are useful prompts. Document any relevant impact here and by attaching any relevant specific impact analysis (e.g. SME and equalities) in the annexes to this template)

Micro organisations are within scope of these proposals. The proposals introduce a voluntary service which micro-businesses will not be required to use. Where they do choose to use this service there will be a benefit to them of doing so. For these reasons micro-businesses will not be exempted from the proposals.

Summary and preferred option with description of implementation plan

The chosen option is option 2. This option will allow Patent Opinions to be used to resolve a wider range of patent disputes by expanding the questions on which an opinion can be issued to additional questions of patent validity and to questions of infringement and validity of SPCs. A power to allow the IPO to begin revocation of a patent that is considered clearly not valid following issue of an opinion will remove the burden of having to revoke these invalid patents from business.

Evaluation

A full evaluation strategy and Post Implementation Review is being developed for the introduction of the Hargreaves recommendations. The Post Implementation Review will detail the benefits associated with the introduction of the patent reforms and will include input from external stakeholders. The plan will also set out how and when the benefits will be measured, which will depend on the type of benefit, as some benefits will be measured by applications and take-up that can be measured from the first year of operation, whereas others will depend on information that will take several years. The evaluation strategy will set out the activities that will be undertaken in order to evaluate the policy, drawing on management information collected through the patent system, as well as research that is commissioned in order to measure the benefits.

The main source of data available for evaluation will be collated using industry figures. These statistics, alongside other management information on the operation of the system will be used by Government to assess the impact of the patent reforms, including assessing whether benefits have been achieved and how policy or operations can be developed to realise benefits more effectively.