

**EXPLANATORY MEMORANDUM TO THE
PATENTS (TRANSLATIONS) RULES 2005**

2005 No. 687

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

2. Description

This Instrument implements the Agreement on the application of Article 65 of the Convention on the Grant of European Patents, made in London on 17th October 2000 (“The London Agreement.”) [Cm 5247]

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

None

4. Legislative Background

4.1 This Instrument is being made under section 77(9) of the Patents Act 1977.

4.2 The purpose of this Order is to implement the “London Agreement” whilst ensuring that its provisions only enter into force once the reciprocal arrangements envisaged in the Agreement come into effect.

4.3 In order for the “London Agreement” to enter into force 8 member states of the European Patent Convention, including the UK, France and Germany must ratify the agreement. The laying of this instrument will enable the UK to ratify the agreement.

5. Extent

5.1 This instrument applies to all of the United Kingdom and to the Isle of Man, as it relates to a rule under the Patents Act 1977, which applies to both.

5.2 The Isle of Man has been consulted about this Order.

6. European Convention on Human Rights

6.1 Not applicable

7. Policy background

7.1 The Department has consulted the public via a formal consultation that was launched on 6 August 2004 and closed on 30 November 2004. This

relates to the removal of a requirement on patent applicants to file a translation upon grant of a European patent filed in French or German at the European Patent Office.

8. Impact

8.1 As this Instrument is made in pursuance of the United Kingdom's international obligations, a Regulatory Impact Assessment has been prepared and is attached.

9. Contact

9.1 Robert Shorthouse at the Patent Office (an executive agency of the Department of Trade and Industry) 01633 814634 and e-mail: Robert.Shorthouse@patent.gov.uk can answer any queries regarding the instrument.

FULL REGULATORY IMPACT ASSESSMENT

1 INTRODUCTION

This full Regulatory Impact Assessment (RIA) follows the consultation which ran between 6 August and 30 November 2004. The RIA is produced in accordance with [Cabinet Office RIA Guidelines](#). Interested parties were asked to comment on the proposals and on the alternative options identified for the proposed ratification of the Agreement on Translations and associated Statutory Instrument.

2 PURPOSE AND INTENDED EFFECTS OF THE MEASURES

- 2.1 The purpose of the proposed optional Agreement between some or all of the EPC contracting states is to reduce the translation-related costs of obtaining patent protection, by obliging parties to the Agreement to dispense with the translation requirement in whole or in part. The working party suggested that it would save up to 50% of the cost of translations in Europe (working party figures based upon 1998 figures suggested about £6m a year for UK industry.)
- 2.2 Figures based upon grants in 2003, and costs provided by a sample of patent translators in the UK (lower estimates than working party's assumptions) suggest that this figure may now be around £5.5 million per annum. There is a consequential loss of revenue to translation firms in this country, employed both by UK firms and by firms abroad. ITI estimate that 80-90% of their work is English into other languages and 10-20% into English. Based on this approximately £500-900 thousand is earned by the translation industry in the UK from translating into English. Beyond this the translation industry in the UK may also gain revenue from non-UK but English speaking applicants (principally the US.)
- 2.3 28 European states are currently contracting parties to the European Patent Convention (an intergovernmental agreement) which provides for a unified patent application process resulting in a bundle of national patents for each of the states designated by the applicant. The resulting patent specification (which describes the invention) can be in English, French or German. However, for the patent to come in to effect, a translation of the patent specification must be filed where necessary in each of the states in which protection is required.

3. Risk Assessment

- 3.1 The major risk is the current cost to industry in obtaining patents, which may deter industry from protecting their innovation. As patent protection is only one aspect of many which influence commercial decisions on innovation, it is only possible to quantify the actual cost of translations (see above) and not the potential cost of lost innovation.
- 3.2 Estimates suggest that UK industry spends between £12m and £15m a year on such translations, which are rarely consulted and serve little purpose. Such regulatory costs therefore serve only as a brake on innovation. Translation-related costs currently amount to circa 25% of the cost of obtaining patent protection, according to estimates from the EPO. European Ministers therefore agreed at an Intergovernmental Conference in Paris in June 1999 that a working party should prepare a draft agreement limiting the number of translations required.
- 3.3 Specialist translation services could lose a significant part of their workload. DTI Economists suggest that as an upper bound, based on figures provided by the translation industry, the benefit gained from the translation industry is currently around £5million. There is however some doubt that the available figures can be extrapolated to other countries, and as a result that the net benefit to the UK is likely to be lower than this figure. Moreover, this figure is an upper bound as UK multinationals abroad may have less need for external translation services than the average UK firm. The Institute of Translations and Interpreters estimates that up to 700 translators may be adversely affected by the loss of this work. In the short term, there may be a loss of business as a consequence of standardisation on three languages. However, the purpose of the Agreement is to reduce the marginal cost of patenting, hence we would expect patenting to rise, though perhaps not proportionally. This will happen in other countries too, leading to increased demand for translation services in some countries. In the longer term, we would expect the translation industry to react to the loss of one area of business, for instance by targeting the European market more aggressively, such as competing more vigorously with firms in the Netherlands to translate applications in to one of the three official languages, such markets are likely to expand.
- 3.4 Consequently the full loss is unlikely to be maintained over time. What we might see is a change in the distribution of translation services. Larger companies or those with European partners

may be better positioned to prosper than smaller regionally based translation services. If we do see greater European competition for translation services of technical documents then this may well reduce price, further expanding demand.

- 3.5 Equally, all businesses are likely to be affected equally by the Office no longer having a full collection in English for patents granted by the European Patent Office. However, requests for these translations are rare, with only a small percentage being consulted, and it is believed that the different business sectors will be able to obtain this information by other means.
- 3.6 The absence of a translation may influence the determination of damages awarded against third parties who infringe patents without having access to a translation in their own language. This could result in some losses to patent holders. Voluntary filing of translations would eliminate these losses but reduce the cost savings available. The Consultation did not reveal particular concerns in this respect.

4. Equity and Fairness

- 4.1 We believe that organisations or individuals in all business sectors are likely to be equally affected. This will include: private enterprise, multinationals, SMEs, universities, government departments, and private individuals who seek patent protection through the European Patent Office.

5. Costs

- 5.1 Technical and legal information contained in patents may be less accessible to third parties. However, in 1993, only some 2.5% of translations filed in the UK were consulted, and this may have been for purposes other than information (e.g. filing abroad.) Moreover, the use of value-added databases may be a more cost-effective way of accessing relevant information.

6. Options

RATIFICATION OF THE LONDON AGREEMENT

Option	Costs	Benefits
Do nothing – await ratification in other states, before	Would not clearly signal commitment to the London agreement and may sway others against proceeding. The UK was	No change.

<p>proceeding</p>	<p>instrumental in reaching agreement, and continuing to wait will delay and may reduce chances of reducing costs to UK and EU business. May delay cost savings to industry.</p>	
<p>Ratify with immediate effect - proceed directly with the agreement on a unilateral basis and dispense with the requirement for translations.</p>	<p>Non-UK EU applicants may be competitively advantaged, since they will not have to file translations, whilst UK industry has to file corresponding translations abroad. The London agreement was an attempt to produce multilateral progress on translations, conditional ratification along German lines, therefore preserves idea of moving forward together. Translation firms lose work immediately</p>	<p>Might signal higher level of commitment on behalf of the UK to the ideals of the London Agreement. Benefits to non-English language applicants and administratively within the Patent Office would be immediate.</p>
<p>Ratify with a delay to the in force date – include a provision that the new regime will only come into effect once sufficient states have ratified.</p>	<p>European business will in the meantime, continue to be required to file translations, and the Patent Office will continue to be responsible for storing these and providing translations on request.</p>	<p>Non-UK EU applicants will not be competitively advantaged in the meantime, since they will not have to file translations, whilst UK industry has to file corresponding translations abroad. The London agreement was an attempt to produce multilateral progress on translations, conditional ratification along German lines, therefore preserves idea of moving forward together, so that full cost benefits to UK industry are achieved.</p>

7. Business Sectors Affected

7.1 All parts of industry are likely to benefit from the cost reduction produced in removing the requirement for translations across the states party to the London Agreement. Small businesses should benefit proportionately more given their lower capital base against which to fund total patent costs. Dispensing with translations will have a consequent impact on translation firms who provide this service.

8. Costs

8.1 The proposed removal of the requirement for filing of translations will have a two fold cost effect. First, it will reduce the cost to business of obtaining and filing translations both before this office and through implementation of the Agreement across a number of other European states. Secondly, it will remove a duty of the Patent Office to receive such translations and to provide them on request to industry.

8.2 It seems likely that translations will be available by other means, and in any case only a very small percentage of the translations filed with the Office are actually consulted. As a result, it seems unlikely that business will be significantly inconvenienced by the loss of access to translations through the office. Moreover, the benefits of cost reduction to innovative industries are seen as greatly outweighing the marginal inconvenience that might be caused.

9. Small Firms Impact Assessment

9.1 As part of stage one of the small firms impact test we have consulted with trade associations who represent small firms likely to be affected by the proposals. These include the Federation of Small Business and The Institute of Patentees and Inventors, the majority of whose membership is largely made up of small firms. As well as trade associations we have consulted with a number of small firms including patent agents. All those consulted agree that the proposals will benefit small firms, who stand to gain most from the estimated £6m savings the proposals will potentially lead to.

9.2 We have also consulted the Small Business Service (SBS) who agree that the proposal to remove the requirement for translations across members states party to the agreement will benefit small firms. The SBS have also agreed that there is no requirement to carry out further small firms impact test analysis. The consultation exercise identified no further impacts or unintended consequences of the proposals on small firms.

10. Consultation

10.1 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). The Institute of Patentees & Inventors, whose members are largely individuals or SMEs, has written in support of the Agreement. The Small Business Service has been consulted about the content of the proposals and in particular about this Full Regulatory Impact Assessment.

10.2 A list of all those organisations to which the consultation document (including the Partial Regulatory Impact Assessment) has been sent is at Annex A. The documents have also been copied to a number of individuals.

10.3 UK interests had a second opportunity to comment on the proposed changes when the consultation paper on the proposed ratification was launched in August 2004. The consultation paper and a draft Regulatory Impact Assessment were published on the Patent Office website and can still be found at <http://www.patent.gov.uk/about/consultations/london/index.htm>.

10.4 The consultation paper was distributed to all relevant departments within Government, to organisations representing all main stakeholder groups as well as others who had registered a particular interest with the Patent Office (see Annex A).

10.5 The formal consultation period closed on 30 November 2004 and a total of 12 responses were received in writing (by email as well as mail) from interested individuals (2) and organisations (10), the latter included companies, professional and trade bodies, and other representative organisations. A list of respondents who did not ask for their details to be kept confidential is given in Annex B. As well as some variation to some of the provisions in the consultation paper, others have been dropped entirely as a result of the consultation. The responses to the consultation reflect opinions from a diverse spectrum of interests on many of the proposals and, where proposals are being taken forward contrary to the views of some of those commenting, their comments have still been carefully considered and taken into account by modifications of the policy where appropriate. Electronic copies of the responses received have been made available on the Patent Office website, alongside the public response document, at: <http://www.patent.gov.uk/about/consultations/responses/london/index.htm>.

10.6. Those proposals put forward in the original consultation which met with little support and have been dropped are not reflected in this RIA. Only a few of the responses to the consultation provided quantitative information, and none addressed the partial RIA itself. Where possible and reasonable, those figures have been considered and extrapolated in order to further consider the financial costs and benefits of the Agreement, and are reflected in this RIA.

11. Enforcement and monitoring

11.1 Nobody is obliged to apply for a patent, trade mark or registered design and The Patent Office is not an enforcement agency. Accordingly the concepts of enforcement of the relevant Acts, and sanctions for failure to do so, do not apply in the usual sense. The number of applications made, published, and terminated, and the number of patents granted, ceased and expired will continue to be monitored and published in the Patent Office's Annual Report.

12. Summary & Recommendation

12. The Consultation showed a clear preponderance of support for the proposed ratification option for the provisions of Article 65 of the EPC, specifically that no translation should be required. Moreover, it is estimated that there will be a reduction in the cost to patent applicants of around £6 million p.a. once the agreement comes into force. It is believed that this cost savings in overheads to innovative businesses applying for patents, outweighs the risks of loss of information and potential loss to translation firms in the UK.

Declaration

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed *Sainsbury of Turville*

Date 2nd March 2005

***Lord Sainsbury of Turville
Parliamentary Under-Secretary of State for Science & Innovation
Department of Trade and Industry***

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ANNEX A

WHERE COPIES OF THE CONSULTATION WERE SENT

Copies were also sent to a number of individuals.

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

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:

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

Organisation	Organisation
ABPI	Gallafent & Co
ACID	Greenpeace
Agricultural Engineers Association	Harbottle & Lewis
Allvoice	Intellectual Property Advisory Committee members
Arnander Irvine & Zietman	Patent Office Patents Directorate
Ashurst Morris Crisp	Patent Office Focus Groups
Association Of British Insurers	Inventorslink Inc
AURIL	Institute of Linguists
Babcock International Ltd	Institute of Translation & Interpreting
Baker & Mckenzie	Linklaters & Paines
Berwin Leighton	Lancaster University
Bharat Electronics Ltd	Lovells
Bioindustry Association	Magister Ltd
Biotechnology And BSRC	Marketforce Communications
British Generics Manufacturers Association Ltd	Microsoft Limited
British Library	Mischon de Reya
British Pharmaceutical Group Ltd.	Mewburn Ellis
British Retail Consortium	Norton Rose
Cable & Wireless	Olswang
Chemical Industries Association	Pfizer Limited
CIMMYT	PJB Publications
British Poultry & Meat Federation	Preventative Medicines Tech Inc.
Cardiff Law School	RWS Group
Chemical Industries Association	SIBLE University Of Sheffield
Consumers Association	Simmons & Simmons
Cranfield University	State Patent Bureau Of The Republic Of Lithuania
Crop Protection Association	The British Brands Group
Davenport Lyons	The Law Society

Deloitte & Touche	The Centre of Research for Intellectual Property and Technology (SCRIPT)
Department for Constitutional Affairs	University Of Alicante
Department of Trade and Industry Translations Service	University Of Cambridge
EC Laws Committee - LES Britain & Ireland	University Of Oxford
Enforcement Focus Group members	University of Strathclyde
Eureka Manufacturing Co. Ltd	University Of Queen Mary & Westfield College
Europe Analytica	Vereenigde
Federation Of The Electronics Industry	Visteon Global Technologies
Frank B Dehn	Wedlake Bell
Freshfields	

ANNEX B

LIST OF RESPONDENTS TO THE CONSULTATION – WHO DID NOT REQUEST CONFIDENTIALITY

Chartered Institute of Patent Attorneys
 Trademarks Designs and Patents Federation
 International Federation of Intellectual Property Attorneys
 Vereenigde
 British Society of Plant Breeders
 Dr Mark Scott
 Gill, Jennings & Every
 Confederation of British Industry
 Institute of Translation and Interpreting
 Intellectual Property Lawyers Association

ANNEX C

SUMMARY OF RESPONSES AND THE GOVERNMENT CONCLUSIONS

The UKPO is grateful for all the comments received and recognises the concerns raised.

- There was no clear consensus from the consultation that the provisions that result from Article 65 (translations on grant) and Article 67 (provisional protection) should be linked. Since the agreement does not address the question of Article 67, it is not proposed to alter UK law in terms of its enactment of Article 67.
- Likewise, there was no real demand for the UK Patent Office to provide any additional non-statutory services. Moreover, it was felt that the other provisions in the Court Procedure Rules and within the Patents Act 1977 were sufficient.
- There was clear preponderance of views that the UK should implement the agreement using the provisions on 77(6) in rule 2 of the draft Statutory Instrument.
- There was a clear preference that the UK should ratify and the agreement should only be implemented once the agreement comes into force, ie once sufficient states have ratified.

It is therefore the conclusion of this consultation that Rule 2 and not rule 3, subject to further consideration of the wider economic consequences, raised in the consultation should be taken forward.

- There were also some comments on the effect of rule 1, and its implications. These have been considered in the final drafting of the Statutory Instrument, with consequential changes to the explanatory note.
- Further issues relating to the question of competence were raised, and these have been considered in detail so that legislation and ratification can proceed.