

EXPLANATORY MEMORANDUM TO

THE PATENTS, TRADE MARKS AND DESIGNS (ADDRESS FOR SERVICE) RULES 2009

2009 No. 546

1. This explanatory memorandum has been prepared by the Department for Innovation, Universities and Skills and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 These Rules allow parties appearing in contested cases before the Patent Office (which operates under the name the Intellectual Property Office (IPO)¹), to use an address for the service of documents anywhere in the European Economic Area (EEA) or the Channel Islands. UK law currently requires parties appearing in such cases to provide a UK address.

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

3.1 None

4. Legislative Context

4.1 4.1 The Patent Office provides a forum before which parties can resolve disputes concerning United Kingdom patents, trade marks, and registered and unregistered design rights.

4.2 The Trade Marks Rules 2008, the Patents Rules 2007, the Registered Design Rules 2006 and the Design Right (Proceedings before Comptroller) Rules 1989 set out rules governing the service of documents on parties involved in proceedings before the Comptroller-General of Patents, Designs and Trade Marks (“the comptroller”). These rules include provisions on the address for service: the address to which all correspondence with a party will be transmitted.

4.3 In 2006 amendments were made to the relevant rules to liberalise requirements imposed on applicants for registered intellectual property rights. Since 2006, any party involved in *ex parte* proceedings before the comptroller has been able to use an address for service in the United Kingdom, another European Economic Area (EEA)² State, or the Channel Islands. However, for contested, *inter partes*, proceedings, each party must provide an address for service in the United Kingdom.

4.4 Article 49 of the EC Treaty prohibits any Member State of the European Community from restricting the freedom of Member State nationals to provide services within one Member State while based in another.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

¹ The Patent Office currently operates as the Intellectual Property Office. However, as it legally remains the Patent Office, it is referred to as such throughout this Explanatory Memorandum.

² The European Economic Area includes all member states of the European Union, Iceland, Liechtenstein and Norway.

7. Policy background

- *What is being done and why*

7.1 7.1 The first aim of these changes is to increase the range and choice of service providers representing owners of UK rights at hearings before the comptroller at the Patent Office. These changes will ensure that legal representatives from the EEA and Channel Islands are able to provide services to owners of UK patents, trade marks and designs, without discrimination. It is hoped that such changes will deliver benefits for users of these services by increasing competition among service providers.

7.2 The second aim of these changes is to avoid the existing Rules being referred to the European Court of Justice by the European Commission. The Commission has expressed the opinion that the current rules limiting choice to a UK address amount to a restriction of the freedom to provide services as enshrined in Article 49 of the EC Treaty. The Commission has argued that, by not allowing a trade mark agent legally established in another member state to temporarily provide services in the United Kingdom unless he or she has an address in the UK for the purposes of notifying documents, the existing rules are in conflict with Article 49, which gives service providers based in one EU Member State the freedom to provide services in another. Challenges to similar legislation in other EU Member States before the European Court of Justice have been successful and have led to such restrictions being removed.

7.3 Widening the choice of address for service to anywhere in the EEA or Channel Islands should provide a wider pool of service providers to parties appearing before the Patent Office, increasing competition between service providers and lowering costs to rights holders. In tandem with the lifting of similar restrictions across Europe, it should also reduce the need for companies operating at a European level to use multiple representatives when operating in several European states.

7.4 Given the overall benefits of lifting restrictions on the freedom to provide services, and the possibility of a legal challenge, the government has confirmed with the European Commission its intention to implement these changes swiftly.

- *Consolidation*

7.5 There are no plans at present to consolidate any of the instruments being amended.

8. Consultation outcome

8.1 Amendments equivalent to those provided for in this instrument, but relating only to trade marks, were consulted on in 2008 as part of proposals to consolidate and streamline trade mark rules, which resulted in the Trade Mark Rules 2008.

8.2 As these amendments were being considered in order to avoid a legal action before the European Court of Justice the consultation was directed not towards the policy aims of the amendments but towards whether the proposed amendments would achieve these aims.

8.3 Two respondents raised issues of whether the amendments would be effective. In particular, it was felt that were the UK to remove restrictions on address for service, similar provisions should also be removed where they exist in other EU Member States. The UK supports

this view and has raised with the European Commission. One respondent drew our attention to similar restrictions available under the Community Trade Mark Regulation (40/94/EEC). The European Commission has also been alerted to this issue.

8.4 The Administrative Justice and Tribunals Council has also been consulted and is content with the proposals.

9. Guidance

9.1 Guidance will be made available on the Intellectual Property Office website.

10. Impact

10.1 The impact on business, charities or voluntary bodies is expected to be small.

10.2 The impact on the public sector is negligible.

10.3 An Impact Assessment is attached to this memorandum.

11. Regulating small business

11.1 The legislation applies to small business.

12. Monitoring & review

12.1 The outcome will be subject to internal review after 12 months and the European Commission will be kept informed of the impact of these changes.

13. Contact

13.1 Robin Stout at the Intellectual Property Office (an executive agency of the Department for Innovation, Universities and Skills) Tel: 01633 81 4483 or e-mail: robin.stout@ipo.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency: Intellectual Property Office	Title: Impact Assessment of Address for Service Liberalisation for Patents, Trade Marks and Designs	
Stage:	Version:	Date:
Related Publications:		

Available to view or download at:

<http://www.ipo.gov.uk>

Contact for enquiries: Robin Stout / IPO

Telephone: 01633 814483

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

An address for service in the UK, the European Economic Area (EEA) or the Channel Islands is sufficient for all dealings before the Intellectual Property Office (an operating name of the Patent Office), except for contested proceedings where a UK address is required. This places a restriction on the ability of businesses to use patent and trade mark attorneys based in other European states. It limits choice, reducing competition between service providers. The European Commission has challenged this restriction as incompatible with Article 49 of the EC Treaty.

What are the policy objectives and the intended effects?

Allowing the use of addresses for service anywhere in the EEA or the Channel Islands will give greater choice to businesses who use the Office's services. Businesses will be able to use the same European address for service when dealing with multiple national offices. This should lower costs for European operators.

What policy options have been considered? Please justify any preferred option.

The European Commission contends that current UK rules are incompatible with Article 49 of the EC Treaty. If these changes are not implemented, the Commission is likely to open legal proceedings against the UK. In view of this risk, and the apparent benefits of liberalisation, we do not believe a refusal to liberalise our address for service requirements is objectively justified. We have therefore considered only how this policy should best be implemented.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Following implementation the policy will be reviewed to assess whether benefits have been delivered to consumers.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

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

Signed by the responsible Minister:

David LammyDate: 4th March 2009

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' The costs arising from these measures are expected to be small, and are therefore difficult to quantify. In most cases no costs will be imposed.			
	One-off (Transition) Yrs				
	£				
	Average Annual Cost (excluding one-off)				
	£		Total Cost (PV)	£	
Other key non-monetised costs by 'main affected groups' Typically these measures will impose no costs. In rare circumstances costs may arise from the need to serve documents overseas, but these are likely to be small.					

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' The benefits arising from these measures are expected to be small, and are therefore difficult to quantify. In most cases, where operators are UK-based, there will be no benefits.			
	One-off Yrs				
	£				
	Average Annual Benefit (excluding one-off)				
	£		Total Benefit (PV)	£	
Other key non-monetised benefits by 'main affected groups' Some individuals or organisations may benefit from being able to choose a non-UK address for service in contested cases. This option will be of more benefit to organisations which are European operators than to those which operate solely in the UK market.					

Key Assumptions/Sensitivities/Risks

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	UK				
On what date will the policy be implemented?	6 April 2009				
Which organisation(s) will enforce the policy?	IPO				
What is the total annual cost of enforcement for these organisations?	£				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	No				
What is the value of the proposed offsetting measure per year?	£ N/A				
What is the value of changes in greenhouse gas emissions?	£ N/A				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £	Decrease of £	Net Impact £

Key: Annual costs and benefits: Constant Prices (Net) Present Value

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Summary

1. The Intellectual Property Office (IPO) is an executive agency of the Department for Innovation, Universities and Skills (DIUS). The IPO is responsible for statutory registration and grant of intellectual property rights including patents, trade marks and registered designs. The IPO also hosts a forum before which parties are able to bring disputes concerning issues concerning the registration and ownership of intellectual property rights valid in the UK. It is already possible to conduct *ex parte* proceedings before the IPO using an address for service in the UK, any other country in the European Economic Area (EEA), or the Channel Islands. The government is proposing to remove a restriction which prevents parties in contested, *inter partes*, proceedings before the IPO from using addresses for service outside the UK. Instead, parties in any proceedings before the IPO will be able to use an address in the EEA or the Channel Islands.

Proposal

2. The proposal will amend the Trade Marks Rules 2008, the Patents Rules 2007, the Registered Designs Rules 2006 and the Design Right (Proceedings before Comptroller) Rules 1989 to allow an address for service in contested proceedings in the EEA or in the Channel Islands.

Policy objectives

Increase choice of service providers in proceedings concerning UK rights

3. The aim of these changes is to ensure that legal representatives from the EEA and Channel Islands are able to provide services to parties engaged in proceedings concerning UK patents, trade marks and designs, without discrimination. This should provide a wider pool of service providers, increasing competition and lowering costs to rights holders. In tandem with the lifting of similar restrictions across Europe, it will allow companies operating at a European level to reduce the need to use several representatives in different European states.

Minimise risk of legal action by the European Commission

4. The UK is under pressure to implement these changes rapidly as it faces a potential legal challenge by the European Commission. The Commission contend that, by restricting service providers to UK addresses, the UK is failing to meet its obligations under Article 49 of the EC Treaty, which requires each EU Member State to provide non-discriminatory access to its market by service providers from other Member States. Similar cases against other Member States have led to restrictions being lifted. If the UK does not introduce these amendments the European Commission could bring a case before the European Court of Justice.
5. Many users of the IPO tribunal are UK-based, and we expect most of those who are not will continue to provide a UK address. As such, most users of the IPO tribunal these changes will not experience significant costs or benefits from this proposal. It will mainly benefit companies operating at a European level, who wish to use a representative based outside the UK but within the EEA, for reasons of cost or convenience.

Costs and Benefits

6. As most users of the IPO tribunal service are UK based, there will be no costs imposed, or benefits experienced by the majority of users.
7. Where a party chooses to use a European address for service, costs may arise from the need to service documents overseas, such as costs associated with transmission of documents and translations.
8. There may be benefits to users as a result of increased competition in a wider market of service providers, resulting in lower prices. Companies operating Europe-wide are also likely to benefit from the reduced need to employ service providers in different states.
9. Overall, these costs and benefits are considered to be marginal and will affect very few UK companies. Therefore it is not a proportionate use of resources to attempt to quantify and monetise these impacts.

Specific Impact Tests

Competition Assessment

10. Questions a) to d) below raise the issues considered under the competition assessment. It is expected that the proposals will have a small, but positive effect on competition.
11. Do these proposals:
 - a) Directly limit the number or range of suppliers?
Amendments to address for service requirements will allow increased access to and choice of representatives within the EEA, so increasing the number of suppliers. In practice, this is likely to affect only a small number of contested cases.
 - b) Indirectly limit the number or range of suppliers?
The proposals do not indirectly limit the number or range of suppliers.
 - c) Limit the ability of suppliers to compete?
The proposals should promote competition by increasing choice of representatives.
 - d) Reduce suppliers' incentives to compete vigorously?
A wider choice of representatives is likely to increase competition between them.

Small Firms Impact Test

12. The proposals are unlikely to impose any significant costs on small firms. Small firms using the services of the Office may benefit from the more liberal address requirement. However, we expect that most small firms based in the UK will wish to use a UK address for service. Some UK-based patent and trade mark attorneys which are small firms may be affected by greater competition from attorneys based in other European states. However, experience from address liberalisation in *ex parte* cases suggests that a large majority of users will continue to use UK-based agents and the impact will be minimal.

Legal Aid

13. The proposed changes will not affect legal aid issues.

Sustainable Development.

14. The proposed changes will not affect sustainable development issues.

Carbon Assessment

15. The proposed changes will not have any impact on the carbon footprint of the IPO or of a user of the IPO's services.

Other Environment

16. There are no other substantial environmental impacts of the proposed changes.

Health Impact Assessment

17. The proposed changes have no health impacts.

Race Equality

18. The proposed changes have no race equality impacts

Disability Equality

19. The proposed changes have no disability equality impacts

Gender Equality

20. The proposed changes have no gender equality impacts

Human Rights

21. The proposed changes have no human rights impacts

Rural Proofing

22. The proposed changes have no rural proofing impacts

Admin Burdens

23. The proposals do not impose any direct administrative burdens.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

