



Advancing Industry's View On Intellectual Property Since 1920

Ref: PP1/07

Federation comments' on the recommendations in the Gowers Review of Intellectual Property (IP), 6 December 2006.

Executive summary

The Federation welcomes this important and timely review of the UK's IP framework in the 21st century. The review appears to have been well conducted, taking into account as it did the evidence (and comment) contained in a great number of submissions. The review includes a good balance of recommendations covering both policy and practice which generally appear to have been well considered. While we do not agree with some of them, we are pleased that a considerable number of the recommendations correspond with suggestions made by the Federation to the review team in March 2006¹. We will be pleased to work with government, where appropriate, in the implementation of recommendations.

In particular:

- We welcome the recommendations concerned with the governance of policy and consider that it is most important that an expert strategic advisory board should be established to oversee policy making (recommendation 46).

We strongly urge, as the review suggests in paragraph 6.9, that industry should be well represented on the board. Industry is a key stakeholder, second only to the public interest, in needing a fair and effective IP system. Industrial companies are major users of IP, both as owners and as competitors of other owners. The IP framework has a marked effect on the research and business environment.

- We are pleased that the report recognises that there should be a clear, rather than diffuse, focus for policy work, and that this focus should remain in the Patent Office (as renamed under recommendation 53) but be separate from operational delivery concerns (recommendation 48).
- We strongly endorse the recommendation that there should be an adequate fund for IP strategic analysis (recommendation 47).
- We especially welcome the declaration in the review that the introduction of a utility model right is **not** recommended (paragraph 4.113).
- We strongly endorse the support for the London Agreement (recommendation 21).
- We welcome the call for financial transparency (recommendation 51).

Among other benefits, financial transparency could help to lower costs to applicants by making clear, for example, what happens to renewal fees received in respect of European patents (UK).

¹ See our submission dated 26 April 2006, ref. PP12/06

As regards matters where we have some reservations:

- While we welcome the attention given in the review to efforts to improving patent quality and to lowering costs, e.g. by work sharing (e.g., recommendations 18, 19, 23), measures to achieve work sharing need to be considered carefully.

There is much to be said for pooling the results of searches by several search authorities on a given application where each authority has focussed on its own language documents, but we are opposed at present to suggestions that the results of searches and/or examinations carried out elsewhere should be accepted forthwith, with no further consideration by the EPO/UK Patent Office. There is a long way to go in developing adequate quality control systems and harmonised law before this is possible, and the review should have drawn attention to the difficult problems in these areas.

- While we agree that advice to business (particularly SMEs) should be more readily available and should be as comprehensive as possible (recommendations 27, 28, 29, etc.), considerable care should be taken to ensure that there is no conflict of interest between the statutory, public interest, duty of the Patent Office to deliver fair IP rights and the giving of advice.

Advice should be of a general nature rather than linked closely to particular cases or situations, and non statutory patent office services should not usurp the role of the private sector.

- We are somewhat concerned about the remarks on damages accompanying recommendation 38, which imply that current awards are inadequate. Judicial authorities already have available a full range of measures to ensure that infringements are stopped and appropriate compensation awarded.
- We are opposed to any suggestion that US style exemplary damages should be introduced in the UK for patent and design infringement.

Finally, we are pleased that in commenting on the review on 10 January 2007, the Minister for Science and Innovation confirmed that the government intends to work with business and industry on a number of aspects of the review. We consider it to be a weakness in the review that the consultation mechanisms used in formulating IP policy were not directly addressed.

Comments on individual recommendations are set out below.

Comments on individual recommendations

Recommendation 1: Amend section 60(5) of the Patents Act 1977 to clarify the research exception to facilitate experimentation, innovation and education.

The review says in paragraph 4.12 that the research exception should be clarified along Swiss lines. The Swiss research exception is for acts undertaken for experimental and research purposes in order to obtain knowledge about the object of the invention, including its possible utilities; in particular, all scientific research concerning the object of the invention is permitted. We agree with a research exception on these lines.

More generally, we accept the provisions of Swiss law quoted in the review, box 4.1, concerning exceptions to the effects of a patent. In particular, we agree that there should be an exception for the acts necessary to obtain a marketing authorisation for a medicament.

Recommendation 2: Enable educational provisions to cover distance learning and interactive whiteboards by 2008 by amending sections 35 and 36 of the Copyright, Designs and Patents Act, 1988 (CDPA).

We agree with the proposition in paragraph 4.15 of the review, i.e., that educational exceptions to copyright should be defined by intent, category of use and activity and not by media or location, and that students learning at a distance should not be disadvantaged relative to those on campus. We therefore agree with this recommendation, provided that the proposed extension of educational exceptions to distance learning would not apply where a licensing scheme is in place.

Recommendation 3: The European Commission should retain the length of protection on sound recordings and performers' rights at 50 years.

We have no comment on this recommendation.

Recommendation 4: Policy makers should adopt the principle that the term and scope of protection for IP rights should not be altered retrospectively.

We see problems with this recommendation. We agree that there should be no resurrection of rights that have expired, but it may well be appropriate to align the term and effects of unexpired rights under earlier law with those under new law, as far as possible, when changes are made. It could be confusing and unreasonable for the rights to vary according to when they were granted. Transitional arrangements should be incorporated in any new law so as to give its benefits, as far as possible, to all stakeholders, while respecting the reasonable assumptions and expectations of existing rights holders, their competitors and all other third parties in relation to the existing rights.

By way of historical example, it is worth recalling that the transitional arrangements on patent term (increased in the Patents Act 1977) and on copyright term for industrial items (decreased in the CDPA 1988) contained sensitively-judged retrospective changes. Their effect was to avoid deferring for excessively long periods improvements that Parliament felt were justified as a matter of policy while also avoiding premature adverse impact on other rights owners and third parties.

Recommendation 5: UKPO should undertake joint working with African patent offices from mid-2007, with the aim of:

- ***helping them to take advantage of the flexibilities currently existing in the WTO/TRIPS architecture where appropriate; and***
- ***encouraging them to make positive use of IP rights through dissemination of information in patents.***

We agree that the UKPO should undertake joint working with African patent offices in order to facilitate understanding of TRIPS and the workings of mature patent systems (e.g., as regards renewal fees) and to encourage positive use of IP rights and patent information.

Developing countries generally should be assisted in using the IP system as a positive force in the development and strengthening of their economies. For reasons given in our submission to the Commission on Intellectual Property Rights², we do not consider that it would be in the best interests of developing countries to operate “weak” IP regimes.

Recommendation 6: Encourage the international community under the auspices of the WTO to review the TRIPS status of the least developed countries prior to 2016 and consider whether further extension for reaching TRIPS compliance would be appropriate.

We do not agree with this recommendation. It is particularly important that there should be no extensions that allow states to disregard the TRIPS provisions concerning the prohibition of counterfeiting and piracy. The time limits for compliance provided in TRIPS are, in general, more than adequate. There should be no further derogations from the international norms which TRIPS establishes.

Recommendation 7: Government should encourage WTO members to ratify the amendments to TRIPS to make importation of drugs easier and cheaper.

We support this recommendation, provided that its implementation is strictly concerned with the problems of developing countries with no or insufficient manufacturing capacity, such that the compulsory licensing provisions of TRIPS have no value to them. Members of the WTO should ratify agreed amendments in due time as a matter of principle.

Recommendation 8: Introduce a limited private copying exception by 2008 for format shifting for works published after the date that the law comes into effect. There should be no accompanying levies for consumers.

The recommendation says that there should be “no accompanying levies for consumers”. The supporting text in paragraph 4.75 is more general: it says that a limited private copying exception can be created “without a copyright levy”. We support this more general statement and consider that there should be no levies.

The review in paragraph 4.76 says that there should be only one copy per format, subject to intermediate steps. We understand that the number of copies per format needs to be restricted to a small number, but we fail to see why it should

² See TMPDF response to the CIPR Report, dated December 2002, refs C98/02 and PP1/02

be limited to a single copy, bearing in mind that it is not uncommon for consumers to make two or three copies on the same format, e.g. a CD for a different room in the house and one for the car. In any case the "limited copy" principle should be a clear part of the recommendation.

The review suggests that "fair compensation" for this private use copying should be included in the selling price of the particular work. So the recommendation is in effect that an automatic authority to copy for private use to a different format should be included with the first sale. We recognise that article 5.2.(b) of the EU Copyright Directive (EUCD) permits member states to allow as an exception or limitation reproduction for private use on condition that right holders receive fair compensation that takes account of the application or non application of technological measures. However, we fear that collecting societies will argue that the Gowers proposal is not compliant with the EUCD and that to provide "fair compensation", levies should be introduced. Years of uncertainty and complex legal actions might ensue.

We consider that a clear exception should be created for private copying for format shifting, with a limited number of copies per format, on the basis that the prejudice to the right holder is minimal. A sale to the individual concerned has already been achieved. Thus, an obligation for further payment should not arise (words taken from recital 35 of EUCD). In this context, we note the BPI announcement quoted in paragraph 4.72 of the review making it clear that they will not pursue those who copy CDs for their own private use in order to change format, i.e., the BPI appears to accept that the prejudice is minimal.

The review in paragraph 4.75 suggests that since any change cannot lead to the retrospective collection of "fair compensation", collecting societies should consider offering a single block licence for format shifting of back catalogues. We regret the implication that further compensation is due on sales already made to private individuals of items from back catalogues. Moreover, there seems to be little incentive for collecting societies to offer single block licenses and we fear that the proposal will lead a complex situation where societies seek vigorously to increase the value of their back catalogues.

The creation of an exception for private copying for format shifting, as discussed above, will involve a complicated adjustment to copyright law. We urge that there should be careful consideration and extensive consultation.

Recommendation 9: Allow private copying for research to cover all forms of content. This relates to the copying, not the distribution, of media.

By extension of our comments on recommendation 2 above, we agree that there should be consistency in relation to exceptions concerning different forms of content.

Recommendation 10a: Amend s.42 of the CDPA by 2008 to permit libraries to copy the master copy of all classes of work in permanent collection for archival purposes and to allow further copies to be made from the archived copy to mitigate against subsequent wear and tear.

Insofar as this is not already permitted under s.42 CDPA, we agree

Recommendation 10b: Enable libraries to format shift archival copies by 2008 to ensure records do not become obsolete.

We agree

Recommendation 11: Propose that Directive 2001/29/EC be amended to allow for an exception for creative, transformative or derivative works, within the parameters of the Berne Three Step Test.

We are not convinced that there should be an exception for transformative or derivative works which have drawn heavily on a copyright original. This recommendation seems to imply that there should be a free licence to modify. We do not agree.

Recommendation 12: Create an exception to copyright for the purpose of caricature, parody or pastiche by 2008.

We note that this is permitted under the EUCD but take no position on the recommendation. It may be easier to formulate the principle than draft the legislative change and we urge, as elsewhere, that there should be extensive consultation on the appropriate text.

Recommendation 13: Propose a provision for orphan works to the European Commission, amending Directive 2001/29/EC.

We agree with this recommendation, provided that adequate safeguards are included in the proposal to ensure that the works that are permitted to be copied or otherwise used are genuine "orphans".

Recommendation 14a: The Patent Office should issue clear guidance on the parameters of a 'reasonable search' for orphan works, in consultation with rights holders, collecting societies, rights owners and archives, when an orphan works exception comes into being.

We agree

Recommendation 14b: The Patent Office should establish a voluntary register of copyright; either on its own, or through partnerships with database holders, by 2008.

We agree that a voluntary register of copyright would potentially be beneficial and consider that the Patent Office should explore how one should be set up, on a self financing basis, taking account of the views of the interest groups concerned. While we agree that the Patent Office should, if necessary, provide a portal service for users to access private registration schemes, as the review suggests, we consider that a multiplicity of overlapping registers should be avoided.

Recommendation 15: Make it easier for users to file notice of complaints procedures relating to Digital Rights Management tools by providing an accessible web interface on the Patent Office website by 2008.

This is a reasonable recommendation.

Recommendation 16: DTI should investigate the possibility of providing consumer guidance on DRM systems through a labelling convention without imposing unnecessary regulatory burdens.

We agree with this recommendation, and especially agree that there should be no unnecessary regulatory burdens. In this connection, we consider that DTI should do more to justify the need for DRMs to the general public.

Recommendation 17: Maintain policy of not extending patent rights beyond their present limits within the areas of software, business methods and genes.

We agree with this recommendation in respect of the three areas mentioned, on the understanding that the present limits are those currently set by the EPO rather than the UKPO, whose attitudes to patents involving software and to mental acts are not fully in line with those of the EPO and are over-restrictive. The scope of patentability should not be extended to cover computer programs as such, nor business methods as such, nor human genes as such.

However, it is important that, in general, policy on what may be patented should remain flexible and should be able to embrace developments in new technological fields as they emerge.

We fully support the declaration in paragraph 4.113 of the review that a utility model system will not be recommended.

Recommendation 18: The Government should encourage the EPO to pursue work sharing with the USPTO and JPO.

There have been proposals, e.g., from the JPO, including the patent prosecution highway, to the effect that search results from one office should be used by another; this would have the serious risk that quality will be lowered and is unacceptable.

However, work sharing which exploits the specialist skills of each office to produce a combined comprehensive search would be very acceptable. It is inevitable that the JPO is best at searching Japanese language documents and the USPTO best at searching US documents. The EPO's search system is probably the best in the world and is particularly good for documents in European languages. If each office searched in their specialist areas and languages and the results were combined into a single comprehensive search, this would produce a high quality search and would save each office some work - this form of work sharing would be acceptable. If the Chinese patent office (SIPO) could also be involved to handle the Chinese language documents, the quality of the search would improve further.

It is accepted that it is unlikely that all the search results would be available in time to publish with the application at 18 months from priority and the A1 publication could only include the search from the patent office of filing. It is also likely that the collation of the search results would lead to some delays in the

grant procedure; however, this is a price worth paying if the quality of resultant patents is improved.

It should be noted that there is a concern that the EPO's requirement to adhere to the Paris criteria to reduce the time to grant has led to some loss of quality and if it is necessary to extend the time to grant in order to work share and increase quality, this would be acceptable.

For any work sharing to be possible, including that suggested above which we would find acceptable, common understandings are needed on what material constitutes published prior art (leaving aside what is excluded by grace and priority periods or the effects of prior unpublished applications), how claims should be analysed for search purposes and how quality is to be managed. Agreement on the first two of these points, based on PCT practice, ought to be achievable, regardless of developments in the wider discussions on patent law harmonisation. However, the issue of quality is a great stumbling block and an important reason for the reluctance of patent offices to accept searches done elsewhere. The review makes no comment about the unwillingness of patent offices to subject themselves to external quality assessment and their rejection of industry advice on the subject, but the issue of quality management has to be seriously addressed before much further real progress can be made as regards work sharing. We consider that the government should pursue the issue of quality management internationally, in cooperation with users. Our views on this have been submitted to the UKPO in the past.³

We have substantial reservations about the direction of work to harmonise substantive patent law at the international level, which we consider could lead to an inferior patent system in Europe. We consider that there should be a pause for reflection and review of this work.

Recommendation 19: The Patent Office should pursue work sharing arrangements with EPC member states, and trilaterally with the USA and Japan to reduce cross-national duplication of effort.

In the same way as the EPO, JPO, USPTO and SIPO could work share to produce a combined high quality search, as discussed above, the Patent Office and other national offices could also participate. In particular, the national offices would be in a good position to perform the rapid search which is needed as soon as possible after filing, to ensure that all transitory prior art, such as that posted to the Internet for limited time periods, could be found.

Full work sharing depends on the scope and quality of search and examination in other offices matching that in the UK. We believe that applicants should be able to select a UK examination and search.

Recommendation 20: Continue to support and expedite the establishment of a single Community Patent through negotiations in Europe.

We wish for a single Community patent to become available, as a parallel option to the existing EPO and national patents, which should remain available in the longer term. However, the Community patent must be cost effective and not excessively expensive due to translation requirements. Moreover, it must not be subject to

³ See response to UKPO's informal consultation on the EPO strategic debate of November 2004; ref. PP09/04

unreliable decisions in litigation at European level due to inadequate juridical arrangements.

Recommendation 21: Government should support the London Agreement as an interim step towards COMPAT, and as an improvement in its own right.

We agree.

Recommendation 22: Maintain a high quality of patents awarded by increasing the use of 'section 21' observations: streamlining procedures and raising awareness.

We are in favour of measures to streamline and raise awareness of the "Section 21" procedure and welcome suggestions for encouraging greater use of the procedure.

Recommendation 23: The Patent Office should conduct a pilot of Beth Noveck's Community Patent Review in 2007 in the UK to determine whether this would have a positive impact on the quality of the patent stock.

[Note: it would be better to write the phrase "community patent review" without capital letters. The community and the patent are not here the same as the "Community Patent" !]

We welcome the US pilot and some of our members are planning to participate as patentees and reviewers. Further information will be needed on the enrolment of participants and the mechanism for bringing applications to the attention of interested reviewers. We await the final version of the code of conduct under which the reviewers will undertake the review. In addition, we would like to understand how the period for review will be handled to ensure there is no undue delay in the grant procedure.

We consider that it is important in any such review process that: (a) the participation of both applicants and reviewers must be voluntary; (b) expert reviewers should confine themselves to identifying relevant texts in the prior art. Their direct opinions on patentability should not be included.

Before the introduction of any pilot scheme, there must be thorough consultation with the major stakeholders.

Recommendation 24: The Patent Office should develop stronger links with universities and other research institutions, including through short placements, to ensure that IP examiners are aware of recent developments in technology.

We are in favour of examiners keeping up to date, but doubt the value of short placements. What would the examiners do on these? Involvement for a few weeks in a research project is unlikely to be of much help to anybody. Involvement in patent drafting might lead to conflicts on return to the office. In either of these activities, there could be conflicts of interest as universities and research institutions become more commercial.

In our view, examiners should be given greater opportunities, and encouragement to use them, in continued professional development through courses and "works visits", to see the practical side of the paperwork that they study.

Recommendation 25a: Introduce accelerated grant process for patents to complement the accelerated examination and combined patent search and examination procedures.

The sentence in paragraph 5.37 of the review that supports this recommendation reads "The current patent fast track system available should be improved to allow for a comprehensive "accelerated grant" process." It is not clear what the review has in mind for improving on the present arrangements under which applicants can request accelerated examination, but if it is possible to streamline office procedures following the examiner's decision that the application is in order for grant, then, subject to the details being satisfactory, we would welcome that.

Recommendation 25b: Introduce fast track registration for trade marks.

We note that the review supports the Patent Office intention to end the practice of refusing trade mark applications on the (relative) grounds of conflict with earlier marks. We also support this.

We have no objection to the recommendation that there should be a fast track to trade mark registration, subject to a higher fee.

Recommendation 26: The Patent Office should provide comprehensive information on how to register and use IP rights for firms registering with Companies House.

We agree that basic information concerning the IP system and how to register rights should be made available to firms registering at Companies House. However, we do not consider that there is a role for the Patent Office in advising on specific detailed problems concerning defence and management outside its experience, save to advise registrants of companies, in general terms, of where to seek help when they encounter such problems. Moreover, the Office should not advise on the use of IP, except in very general terms.

Recommendation 27: Improve SME business IP support by establishing formal collaboration between the Patent Office and Business Link and by conducting a pilot replicating the French 'IP Genesis' scheme.

We do not know what the present relationship between the Patent Office and Business Link is, but we consider generally that there needs to be greater awareness in government of IP and the role of the Patent Office, so a move to strengthen existing links and forge new ones is welcome. However, as noted in our comment on recommendation 26, we do not agree that the Patent Office should offer tailored advice on matters that it is not qualified to deal with and should not usurp the role of the private sector in answering business questions of a legal nature.

As regards replicating the French IP Genesis scheme, we agree that the Patent Office should provide general advice to SMEs to improve their awareness of IP and to emphasise the need to consider protecting their innovations and brand names. However, we doubt that the Office has the expertise to conduct IP audits or to give "expert" advice on the strategic use of IP.

Recommendation 28: Investigate how best to provide practical IP advice to UK firms operating in foreign markets, in coordination with industry bodies, the Patent Office and UK Trade and Investment.

If the advice is to be concerned generally with the importance of protection in foreign markets and the basic steps to be taken to secure it, then we agree with this recommendation. However, as indicated above, the Patent Office should not offer detailed advice on individual circumstances.

Recommendation 29: The Patent Office should develop 'Business-to-Business' model IP licences through industry consultation, and assessment of the Lambert model licences.

We agree that model licenses will often be helpful to SMEs and welcome the intention to consult industry about their development. The Patent Office should make itself aware of what is already available (e.g., from the Licensing Executives Society, other legal bodies and NGOs) and in conjunction with the CBI and other organisations responsible for SME and wider industry interests, ensure that up to date models are available.

The Federation will be pleased to be involved in this exercise.

Recommendation 30a: The Patent Office should publish and maintain an open standards web database, linked to the EPO's esp@cenet web database, containing all patents issued under licence of right.

The information referred to in this and the following recommendation is already in the public domain and the first priority should be to ensure that it is accurate and accessible. However, we doubt the value of the separate data base as recommended, since many patents are available to licence, not just those endorsed "licences of right". We agree that patent holding companies should be encouraged to make more use of the endorsement when appropriate. We agree that esp@cenet could include an indication of endorsement.

Recommendation 30b: The Patent Office should publish and maintain an open standards web database, linked to esp@cenet containing all expired patents.

We repeat the point that this information is already in the public domain and the first priority should be to ensure that it is accurate and accessible. We doubt the value of a separate database as opposed to easy determination of status, having in mind that patents in force are also a source of information and a spur to further innovation.

Recommendation 31: DTI should consider whether guidance for firms on reporting of intangible assets could be improved, including the provision of model IP reports.

If the existing guidance on the reporting of intangible assets is to be reviewed, it is important that there should be proper consultation with industry. Unnecessary regulatory burdens must not be imposed.

Recommendation 32: Form a working group with Patent Office, RDA and Business Link representation, to identify and promote best practice to maximise the use of effective schemes nationwide.

We accept that access to funding for the professional costs in securing IP by SMEs should be improved and made more transparent. If this recommendation will help, then we accept it.

Recommendation 33: The Review invites the OFT to consider conducting a market survey into the UK collecting societies to ensure the needs of all stakeholders are being met.

We agree. The possibility of providing greater transparency on the operation of collecting societies should be explored.

Recommendation 34: Increase cooperation between the UK Patent Office, the Office of Fair Trading and the Competition Commission to ensure that competition and IP policy together foster competitive and innovative markets for the benefit of consumers.

We agree that competitive and innovative markets benefit consumers and the wider public good, and should be fostered by IP and competition policy taken together. We therefore welcome this recommendation.

Recommendation 35: The Patent Office should continue to raise public awareness, focussing in particular on the wider impacts of IP crime, and the exceptions to rights.

We agree that the Patent Office should continue with its efforts to raise public awareness, focussing not only on the issues mentioned in the recommendation but also on the wider benefits of IP protection to the community at large.

We note that paragraph 5.75 of the review commends and supports education initiatives. We have pointed out in the past that courses of higher education, particularly those in technology and media studies, should include short IP modules.

Recommendation 36: Match penalties for online and physical copyright infringement by amending section 107 of the CDPA by 2008.

We agree that possible penalties should be reviewed to ensure that they are consistent with one another and likely to be an effective deterrent.

Recommendation 37: Monitor success of current measures to combat unfair competition in cases relating to IP, and if changes are found to be ineffective, Government should consult on appropriate changes.

We agree that the scope and effectiveness of current measures for combating unfair competition should be fully examined. In carrying out this exercise, it will be necessary to establish what constitutes unfair competition in the UK - this will not be an easy matter.

Recommendation 38: DCA should review the issues raised in its forthcoming consultation paper on damages and seek further evidence to ensure that an effective and dissuasive system of damages exists for civil IP cases and that it is operating effectively. It should bring forward any proposals for change by the end of 2007.

We are concerned about the underlying assumption to this recommendation, which appears to take the position that the damages regime in the UK is inadequate. We consider that by and large the system is adequate, in that the judicial authorities can make use of a comprehensive range of measures to ensure that infringement is stopped and rights holders properly compensated. We would be strongly opposed to a US style system of exemplary damages in respect of patents and designs.

The recommendation talks of "an effective and dissuasive system of damages... for civil IP cases". The enforcement section in which this recommendation is included purports to cover the entire range of IP rights (paragraph 5.71), but in fact concentrates on special issues, and does not deal substantively with patents at all. The implication of the recommendation that IP damages need reviewing generally, and in particular that patent damages need reviewing, is not justified.

Increased civil damages such as punitive ones (and even more the possibility of criminal liability) for patent infringement would strengthen the position of the owners of weak patents. If remedies and penalties were increased, third parties would tend to settle with such patentees rather than take even a good chance of proving in Court that the patent's valid scope did not cover their activities.

The call for evidence for the review noted, in general terms, concern about the activities of "patent trolls". The suggestion that a more punitive damages regime might be desirable is therefore surprising. It is just such a regime that would be attractive to patent trolls, as experience in the USA demonstrates.

Recommendation 39: Observe the industry agreement of protocols for sharing data between ISPs and rights holders to remove and disbar users engaged in 'piracy'. If this has not proved operationally successful by the end of 2007, Government should consider whether to legislate.

We do not understand the assumption implicit in this recommendation that ISPs "disbar" infringers from their services, which is factually incorrect. Nevertheless, we support cooperation between ISPs and rights holders to develop balanced, flexible and effective protocols in this area, provided that they are fully compatible with Community law. We are opposed to the introduction of a statutory protocol because we believe that this would lead to an inflexible regime with unintended and inequitable consequences, while having little direct effect on the behaviour of the commercial pirates.

We are also concerned that this recommendation could lead to pressure to make ISPs responsible for content.

Recommendation 40: DTI should consult on measures to tighten regulation of occasional sales and markets by 2007.

We agree

Recommendation 41: The Home Office should recognise IP crime as an area for Police action as a component of organised crime within the updated National Community Safety Plan.

We agree

Recommendation 42: Give Trading Standards the power to enforce copyright infringement by enacting section 107A of the Copyright, Designs and Patents Act 1988 by 2007.

While we agree that Trading Standards officers (TSOs) should have powers to pursue acts that by any measure are criminal, such as the production of pirate copies for onward sale, we are concerned that their powers should be limited to this type of activity. TSOs should not be involved in intervening in commercial disputes concerning the extent of the licenses needed for the use of business related software.

Recommendation 43: Strengthen Practice Directions, to provide greater encouragement for parties to mediate, in particular this should raise the profile of mediation with judges.

We accept that greater encouragement to mediate might be helpful, provided that there is no element of compulsion to do so and that agreement to mediate by a party is not taken to prejudice their case or position.

Recommendation 44: The Patent Office should consult with the Judicial Studies Board to determine the extent to which the complexity of IP law may give rise to a training need for judges and magistrates and their legal advisers.

We agree

Recommendation 45: Support the establishment of a single EU court to adjudicate cross-border IP disputes by promoting the European Patent Litigation Agreement.

[Note: the EPLA postulates a common European patent court for the litigation of European patents, with regionally separated chambers. There will be a centralised appeal court. This arrangement is **not** an EU court.]

We support the introduction of the EPLA, with reservations. We consider that a European patent, which after grant effectively becomes a bundle of separate national patents, should not be attacked before a common court which can revoke it for all states, unless the patent owner has agreed to the case being heard by that court. We consider that patent owners should be under no compulsion either to litigate or be attacked in the common court.

We are concerned that as yet no rules of procedure have been agreed, so that it is impossible to tell how the court will operate. We fear that the language regime of the court, especially in the regional chambers, may be unsuitable and that forum shopping between chambers will be possible. While we welcome the recognition in the review that the decisions of the court should be of high quality, requiring IP expert judges, we are very concerned that inadequately qualified and experienced judges are likely to be appointed. We would add that patent judges must be more

than "IP expert". They must also be able to fully understand the technical issues in the cases which they hear.

These matters and many others must be satisfactorily resolved before we can contemplate using such a court.

Recommendation 46: Establish a new Strategic Advisory Board for IP policy (SABIP), covering the full range of IP rights, reporting to the minister responsible, by 2007. The Board should be drawn from a wide range of external experts as well as key senior policy officials from relevant government departments, and should be based in London. £150,000 should be allocated to fund the secretariat by the Patent Office.

We agree that such a board should be created. The ways in which the external experts are selected needs careful consideration. There should be strong representation of industry and other businesses, the main users of the system. It would also be appropriate to invite the presidents of the non governmental UK organisations with the greatest interest in IP matters to nominate participants. A substitute should be allowed when an external expert cannot get to a particular meeting.

Recommendation 47: The Patent Office should provide an annual IP strategic analysis fund of £500,000 managed by the policy advisory board in consultation with the IP Policy Directorate

We agree that strategic analysis is essential and welcome this proposal. We do not have a view on the size of the annual fund, but it must be sufficient to mount major studies.

Recommendation 48: Patent Office should introduce a clear split of responsibility between delivery and policy directorates.

We agree. The policy directorate should have a thorough grasp of and responsibility for all that is going on, nationally, in Europe and internationally. The expertise of operational directorates can be called upon as necessary.

Recommendation 49: Encourage IP policy officials to obtain policy experience outside the IP Policy Branch, and support short industry placement schemes for policy staff.

While it would be helpful to IP policy staff to have wider policy experience and/or a business perspective, it can be anticipated that there will be problems in finding suitable policy openings in other civil service departments or business operations. We are opposed to the idea that generalist policy administrators should be rotated through the IP policy directorate as a routine short term tour of duty.

Recommendation 50: Realign UK Patent Office administrative fees to cover costs more closely on Patent Office administrative operations (e.g. granting patents).

We agree with the implication in paragraph 6.19 that in each registration field (trade marks, designs, patents), operations should generally break even. If it is the

case that patent operations do not break even from pre-grant and renewal fees, despite a fair and not excessive input from renewal fees on European patents (UK), in recognition of the costs in the Patent Office of involvement with the EPO, then we accept that some increase in patent fees may be necessary.

However, we are opposed to a revision in the structure and distribution of fees, as between application fees up to grant and renewal fees subsequent to grant. Low application fees ease entry to the system, especially for SMEs. Rising renewal fees ensure that successful patents pay for the system and that patents for commercially unsuccessful inventions fall into the public domain sooner than would otherwise have been the case.

Recommendation 51: Increase the transparency of Patent Office financial reporting

We agree with this recommendation. In addition to the matters where there is a lack of transparency mentioned in paragraph 6.21 of the review, transparency is lacking as regards the use of renewal fees for European patents (UK).

It might be mentioned however that Patent Office financial reporting is as good as or better than most other offices in Europe, with the exception of the EPO, which is (fairly) transparent.

Recommendation 52: Ensure that under current arrangements in the Patent Office, there is a clear internal separation of responsibility between the granting of rights and disputes over their ownership or validity. This should be achieved by clearly separating the line management structures.

We are not convinced by this recommendation. It is normal in administrative structures, in the UK and elsewhere, that a decision (positive or negative) can be challenged at a higher level in the management line. This is reasonable. The petitioner tests the strength of the Office view of the case and whether the original examiner is supported by more experienced superiors. The examiners and other officers of the Patent Office all act on behalf of the Comptroller in any event. Issues of ownership need to be determined along with grant. The principle of appeal through the management line is supported in international tribunals such as the ILO.

A Patent Office decision can be challenged before an independent tribunal, e.g., the court or an appointed person.

It might be noted that in the EPO, a dispute concerning ownership or validity may be heard by the same staff that dealt with the grant. An examining division will hear a first appeal against its own decisions and moreover an opposition division that hears a third party attack on the grant may include the same staff as the examining division that approved the grant. Further challenges are dealt with in the Boards of Appeal - a different management line, but still within the EPO.

Recommendation 53: Change the name of the UK Patent Office to the UK Intellectual Property Office (UK IPO) to reflect the breadth of functions the office has, and to dispel confusion.

We agree that a change of name is desirable

Recommendation 54: DCA should review the issues raised in relation to IP cases and the fast track, and seek views in the context of its forthcoming consultation paper, which will consider the case track limits, and how the claims process can be made more timely, proportionate and cost-effective. It should bring forward any proposals for change by the end of 2007.

We agree that efforts should be made to reduce the costs, complexity and delays inherent in IP cases. If this review will help in this, then we agree with this recommendation.

TMPDF, January 2007

NOTE: TMPDF represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. This paper represents the views of the innovative and influential companies which are members of this well-established trade association; see list of members below.

TMPDF members 2007

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GKN plc
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Nestlé UK Ltd
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