



House of Commons  
Regulatory Reform Committee

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# Draft Regulatory Reform (Patents) Order 2004

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**Eighth Report of Session 2003-04**

*Report, together with formal minutes*

*Ordered by The House of Commons  
to be printed 15th June 2004*

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## The Regulatory Reform Committee

The Regulatory Reform Committee is appointed to consider and report to the House of Commons on proposals for regulatory reform orders under the Regulatory Reform Act 2001 and, subsequently, any ensuing draft regulatory reform order. It will also consider any "subordinate provisions order" made under the same Act.

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The full constitution and powers of the Committee are set out in House of Commons Standing Order No. 141, available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/parliamentary\\_committees/regulatory\\_reform\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/regulatory_reform_committee.cfm).

A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Committee staff

The current staff of the Committee are Martyn Atkins (Clerk), Stuart Deacon (Committee Specialist), Brian Dye (Committee Assistant) and Liz Booth (Secretary).

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# 1 Report under Standing Order No. 141

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1. The Regulatory Reform Committee has examined the draft Regulatory Reform (Patents) Order 2004 in accordance with Standing Order No. 141. We recommend unanimously that the draft Order be approved.

## 2 Introduction

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2. On 7 June 2004 the Government laid the draft Order before Parliament, together with an explanatory statement from the Department of Trade and Industry (the Department).<sup>1</sup>

3. We have already reported on the proposal for this Order, which proposed amending the Patents Act 1977 (the 1977 Act) in seven separate respects:

- **Proposal A** would amend the provisions of the 1977 Act insofar as they relate to the date of filing of a patent application at the Patent Office.
- **Proposal B** would amend the provisions of the 1977 Act insofar as they relate to the formalities of filing an application.
- **Proposal C** would amend the procedures provided for by the 1977 Act where applicants are offered an opportunity to remedy defects in their application which have been discovered during the course of the preliminary examination or the substantive examination.
- **Proposal D** would provide for a limited right of reinstatement of a patent application where it has been terminated because a deadline has been missed.
- **Proposal E** would provide more flexibility in the time in which an applicant may file an application which claims priority from an earlier application.
- **Proposal F** would reform the regime applying to patent applications whose contents, if disclosed, would prejudice national security.
- **Proposal G** would remove a burden and an anomaly which the Department claims presently exists between the signature formalities required to make a transaction in a patent in Scotland and elsewhere in the UK.

4. The House has instructed us to examine the draft Order against such of the criteria specified in Standing Order No. 141(6) as are relevant. We are also required to consider the extent to which the responsible Minister has had regard to any resolution or report of the Committee, or to any other representations made during the period for parliamentary consideration.<sup>2</sup> Our discussion of matters arising from our examination is set out below.

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1 Copies of the draft order and statement are available to Members of Parliament from the Vote Office and to members of the public from the Department. The proposal is also available on the Cabinet Office website: [www.cabinetoffice.gov.uk/regulation/act/proposals.htm](http://www.cabinetoffice.gov.uk/regulation/act/proposals.htm).

2 Standing Order No. 141(7)

## 3 Findings of our previous report

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5. The proposal for the Order was laid on 10 November 2003, and we reported our findings to the House on 10 February 2004.<sup>3</sup> We concluded that the proposal should be amended in three respects before a draft Order was laid before the House.<sup>4</sup> The amendments we recommended to the proposal are summarised below.

### Resuscitation of erroneously withdrawn applications

6. Section 14(9) of the 1977 Act presently provides that the withdrawal of a patent application is irrevocable. Although the comptroller presently has the power, under section 117(1) of the 1977 Act, to correct errors in patent applications, the Department doubted whether this power would extend to the case where an application was withdrawn in error. The Department therefore proposed to insert a new provision in section 14 to make it clear that section 14(9) does not affect the comptroller's power in section 117(1) to correct an error or mistake in the withdrawal of an application for a patent.

7. The Department also proposed to insert into the Act a new section 117(3), making provision for the comptroller to publish a notice of a request to correct an error or mistake in the withdrawal of an application, and a new section 117A, setting out the effects of the resuscitation of a withdrawn application. This would provide protection for third parties who may have used the invention which is the subject of the resuscitated application, or made 'effective and serious preparations' to use it, between the time of the publication of the notice of withdrawal and the publication of the notice correcting the withdrawal and indicating the resuscitation of the application.

8. We were concerned that the proposed amendments to the Act did not set out how the resuscitation procedure would operate where an error or mistake in the withdrawal of an application had been identified.<sup>5</sup> It was not clear whether the correction of an error or mistake in the withdrawal of an application would automatically have the effect of resuscitating the application.

9. In response to our concerns the Department undertook to amend the draft Order to provide for an administrative procedure for the resuscitation of applications. We recommended that the Department should amend the Order in the manner it proposed.<sup>6</sup>

### National security

10. The Department proposed to amend the 1977 Act to reduce the burdens on applicants for patents and their agents resident in the UK who are presently restricted in their freedom to file patent applications overseas.

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3 Second Report, Session 2003–04, HC 337

4 HC (2003-04) 337, para 247

5 *Ibid.*, para 124

6 *Ibid.*, para 125

11. At present a patent application may only be filed overseas by a UK resident if that application has been filed in the UK at least six weeks previously to the date of overseas filing, or the permission of the comptroller has been obtained. The reason for this restriction is to allow applications to be examined by the Patent Office to determine whether they contain material, the disclosure of which would be likely to compromise national security. If applications do contain material which has national security implications, the comptroller or the Secretary of State may, under section 22 of the 1977 Act, issue directions restricting the publication or communication of the contents of the application.

12. The Department proposed to remove this general restriction on UK residents filing applications overseas by assigning to the applicant the responsibility for determining the military or national security implications of an application. Applicants would be able to file applications abroad without prior filing in the UK unless the application contained sensitive information. Where the application contained sensitive information, the applicant would be required to file it in the UK first by secure means and would have to seek the permission of the comptroller to disclose some or all of the contents of the application.

13. The proposal laid before Parliament contained a number of changes from the initial proposals which the Patent Office consulted on, and several consultees were partly or wholly reassured by the amendments which had been made.

14. Although the Department supplied us with copies of consultees' responses on the revised proposals, it omitted to refer to the consultation on the revised proposals in the explanatory statement, and gave no indication of whether the concerns of the consultees had been met. We therefore sought the views of those consultees who had expressed concern at the original proposals, and found that, while some were indeed content with the revised proposals, there remained significant concerns in some quarters.

15. Representatives of the defence technology sector<sup>7</sup> argued that the proposed requirements prohibiting the disclosure of sensitive information until the comptroller had given permission would inhibit the freedom of operation of companies in the sector.<sup>8</sup>

16. There was more general concern about the requirement to be placed on the applicant to determine whether an application fell within the categories of technology with possible implications for national security listed in the Schedule to the proposed Order. The Department argued that the applications likely to fall within the scope of the Schedule were likely to originate from only a small number of specialised applicants. Professional organisations representing the intellectual property sector<sup>9</sup> claimed that the definitions in the Schedule were insufficiently tightly defined. As a consequence, persons might innocently submit patent applications which contained material deemed to be sensitive without complying with the requirements for handling sensitive material, thereby unwittingly breaching the law.<sup>10</sup>

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7 The Defence Industries Working Group, BAE Systems PLC and QinetiQ.

8 HC (2003-04) 337, para 193

9 The Chartered Institute of Patent Agents (CIPA) and the Trade Marks, Patents and Designs Federation (TMPDF).

10 HC (2003-04) 337, paras 200-202

17. The professional organisations were also concerned at the Department's proposed definition of the behaviour which would lead to a criminal sanction. The proposed Order provided that anyone failing to file a patent application in a secure manner who knew, or ought reasonably to have known, that the secure manner of filing was required would commit an offence. The Trade Marks, Patents and Designs Federation considered that the sanction should only apply to those who had shown reckless disregard for the provisions relating to secure filing, while the Chartered Institute of Patent Agents considered that the sanction should only apply to actions taken deliberately.<sup>11</sup>

18. The evidence we received indicated that there was a doubt as to whether this aspect of the proposal met the fair balance and proportionality tests laid down in the Regulatory Reform Act. It was not clear that the new burden being imposed on some applicants in terms of a requirement for secure filing, and the way in which that new burden was targeted, was proportionate to the overall expected benefit.

19. Our consideration of this aspect of the proposal was overtaken by a meeting between the main patent industry interests affected and the Patent Office.<sup>12</sup> As a result of that meeting, the Department indicated to us that it intended to amend the draft Order before final scrutiny. The effect of this amendment would be to retain section 22 of the 1977 Act (information prejudicial to the defence of the realm or safety of the public) in an unamended form and to amend section 23 (restrictions on applications abroad by United Kingdom residents) to allow applications which do not relate to national security matters to be filed abroad without prior permission or filing in the UK.<sup>13</sup>

20. Had we not received this indication from the Department, we would have proceeded to seek further evidence about the proportionality and fair balance of the national security provisions of the proposal. In the event we considered that there was sufficient doubt as to the way in which they satisfied the statutory tests to recommend formally that the relevant articles<sup>14</sup> should be removed from the draft Order. We indicated that the Department might either consider introducing amended provisions in the draft Order, or that it could seek to amend the Patents Bill [*Lords*] at Committee stage in either House.

21. We raised with the Department a further and separate issue concerning a proposed amendment to section 22 of the 1977 Act. The Department intended to remove references to public safety from section 22, considering that the concept of public safety was now subsumed in the term 'defence of the realm'. On reflection, the Department considered that there might be instances where issues which related to the safety of the public might fall outside the definition of issues prejudicial to defence of the realm. It therefore proposed to amend the draft Order to retain the existing references in section 22. We concurred in the proposed amendment.

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11 HC (2003–04) 337, paras 197–199

12 See below, para 33

13 *Ibid.*, para 215

14 Articles 9 and 10 of the draft Order contained in the proposal.

## 4 The Department's response to our report

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22. The Department's response to the specific recommendations made and issues raised in our report is set out in the explanatory statement accompanying the draft Order.

### Resuscitation of erroneously withdrawn applications

23. The Department has inserted a new subsection in article 17 of the draft Order. This would insert a new section 117(4) in the 1977 Act, providing that where the comptroller has published details of an application to correct an error in the withdrawal of an application, the error may only be corrected by order of the comptroller.

24. This provision satisfies our concerns as to the administrative procedure to be followed on resuscitation, and makes it clear that an order of the comptroller is required for an application to be resuscitated.

25. The Department has made a consequent amendment to article 8 of the draft Order, so that new section 20A of the 1977 Act provides that reinstatement of an application shall be by order of the comptroller. This will ensure that the procedures for restoration of an application (section 28), reinstatement (section 20A) and resuscitation (section 117(3) and (4)) are consistent.

### National security

26. The Department has in fact removed articles 9 to 11 from the proposed Order entirely. The draft order now makes no amendment to sections 22 or 23 of the 1977 Act, and the existing national security provisions in the Act will remain unaffected by the draft Order.

27. As a consequence the Schedule to the proposed Order has been omitted from the draft order, together with article 23, which would have made the Schedule subject to amendment by subordinate provisions order.

28. The Government has instead sought to make the amendments to the 1977 Act by means of amendment to the Patents Bill [*Lords*]. The Bill was amended in Lords Grand Committee on 8 March 2004, when a new clause was added with the intended effect of inserting new subsections into section 23 of the 1977 Act.<sup>15</sup> The new subsections would remove the restriction on UK residents filing patent applications abroad, except in cases where an application contains information which relates to military technology, or where for any other reason publication of the information might be prejudicial to national security or the safety of the public.<sup>16</sup> It appears that this amendment is consistent with the intention the Department indicated to us earlier, and which we have noted at paragraph 19 above.

29. The relevant provisions are included in Clause 7 of the Bill as introduced in this House on 19 April. The Bill received an unopposed Second Reading on 7 June, and was allocated

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<sup>15</sup> HL Deb, 8 March 2004, cols GC 349–52

<sup>16</sup> For further detail see the Explanatory Notes to the Bill, Bill (2003–04) 90—EN, paras 50–53.

to Standing Committee D on 9 June. The Committee is required to report the Bill by 17 June.<sup>17</sup> **We do not comment here on the provisions of the Bill as amended in the Lords, but we draw the House’s attention to the examination of the matter which we undertook in our report on the proposal.**

### Corrections to the report

30. The Department has indicated that, in its opinion, the reports of the Commons and Lords Committees on the proposal for the Order contained misapprehensions about the detail of the proposal.<sup>18</sup> It has listed them in Annex A of the explanatory statement.<sup>19</sup> We are grateful to the Department for drawing them to our attention, and we in turn draw them to the attention of the House.

31. The Department has indicated that it does not consider that the misapprehensions in our report affect the validity of the conclusions we reached therein.<sup>20</sup> **We agree.**

## 5 Other representations

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### Report of the House of Lords Delegated Powers and Regulatory Reform Committee

32. The House of Lords Committee reported on the proposal for the Order on 28 January 2004.<sup>21</sup> It concluded that the proposal was satisfactory and appropriate to be made in all respects.

### Additional representations

33. Before we issued our report on the proposal, representatives of the main patent industry interests affected met Patent Office officials and set out their principal objections to the national security provisions.<sup>22</sup> As a result of this meeting, the Department indicated to the Committee that it proposed to amend the draft order to leave existing section 22 of the 1977 Act intact and to amend the proposed changes to section 23.<sup>23</sup>

34. Articles 9 to 11 of the proposed order, which would have amended sections 22 and 23, have in fact been removed from the draft Order. The Department has therefore taken account of the additional representations made on the proposal.

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17 Votes and Proceedings, 7 June 2004. The Standing Committee reported the Bill on 15 June.

18 Explanatory statement, para 3.06

19 Explanatory statement, paras A.1–A.15

20 Explanatory statement, para 3.08

21 Sixth Report, Session 2003–04, HL Paper 32

22 Explanatory statement, paras 2.01–2.03

23 HC (2003-04) 337, para 215

## 6 Further amendments

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35. In addition to the amendments made to the draft Order in response both to our earlier report and to other representations received, the Department has made additional minor amendments of its own. These are set out in full in the explanatory statement and summarised briefly below.

36. New section 15(10) of the 1997 Act, to be inserted by article 5 of the draft Order, has been amended to more closely reflect the words used in the present section 15(5) of the Act, and to make it clear that different periods may be prescribed for the different actions set out in the section.<sup>24</sup> The Department indicates that this was not included in the proposal for the Order owing to an oversight. Consequential amendments have been made to article 4 and to new article 13 (old article 15).<sup>25</sup>

37. The language in new section 20B(1), to be inserted by article 8 of the draft Order, has been clarified to remove a possible linguistic ambiguity.<sup>26</sup>

38. New article 11 amends section 60(6)(b) of the 1977 Act to reflect the creation of new sections 20B (4) and (5) and 117A(4) and (5). This is a consequential provision which the Department failed to include in the proposal for the Order.<sup>27</sup>

39. Articles 20 to 23 replace old articles 24 and 25, which made arrangements for transitional provisions. They are intended to maintain the continuity of processing of applications which were filed on dates preceding the coming into force of the draft Order. The Department explains that these provisions have been recast “to more accurately reflect the different provisions that are appropriate to applications of different origins.”<sup>28</sup>

**40. We consider that these own-initiative amendments are wholly beneficial to the operation of the Order and raise no issues of principle which would require re-consultation.**

## 7 Recommendation

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**41. In accordance with Standing Order No. 141(15), we recommend unanimously that the draft Order be approved.**

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24 Explanatory statement, paras 5.09–5.10

25 Explanatory statement, paras 5.08 and 5.13

26 Explanatory statement, para 5.11

27 Explanatory statement, para 5.12

28 Explanatory statement, para 5.14

## Formal minutes

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**Tuesday 15 June 2004**

Members present:

Mr Peter Pike, in the Chair

Mr Russell Brown

Mr Mark Lazarowicz

Mr John MacDougall

Dr Doug Naysmith

The Committee deliberated.

Draft Report [Draft Regulatory Reform (Patents) Order 2004], proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 41 read and agreed to.

*Resolved*, That the Report be the Eighth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

[Adjourned till Tuesday 22 June at 9.30 am.]

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