

The Patent Regulation Board and the Trade Mark Regulation Board

Minutes

Thursday 12th January 2023 at 1.15 pm

Gatehouse Chambers, Gray's Inn, 1 Lady Hale Gate, London

Attending:

Rt Hon Lord Smith of Finsbury (IPReg Chair)
Justin Bukspan – attending remotely
Henrietta Rooney (until 2.30pm)
Sam Funnell (Data Working Group Chair)
Alan Kershaw (Review Working Group Chair)
Victor Olowe
Samantha Peters (Governance Working Group Chair)
Emma Reeve
Caroline Seddon (Education Working Group Chair)

In attendance: Fran Gillon (CEO), Shelley Edwards (Head of Registration), Victoria Swan (Director of Policy, attending by Zoom)

1. The Chair welcomed Henrietta Rooney to her first meeting.
2. Apologies - no apologies were received.
3. Notification of any conflicts of interest - no conflicts of interest were declared.
4. Minutes of December meeting - the minutes of the December meeting were agreed, subject to some drafting changes.

Items for decision/discussion

5. Feedback from strategy discussion

- 5.1. The Chair reported the morning's strategy discussions had identified its priorities for next 3-4 years:
 - a. To carry its regulatory activities in a more proactive way and to perform well. In order to do so, we will ensure that IPReg has the necessary staff, IT, external expertise and other resources;
 - b. Increasing the range of good quality education providers accredited by IPReg, in particular as a tool to increase the diversity of the trade mark and patent attorney professions;
 - c. Increase the public profile of IPReg to the regulated community and users of IP legal services.

5.2. The Chair reported that the meeting had also considered its approach to risk oversight and had decided:

- a. To establish a Board Risk Working Group (RWG) (task and finish) to develop the Board's approach together with the scope of key risk and performance indicators. Membership: VO, SF, JB, SP;
- b. The RWG's remit would be to:
 - Develop the risk policy;
 - Develop a set of procedures for the Board to use to enhance its assessment of risk;
 - Consider whether improvements could be made to the assessment of, and the approach to, risk.
- c. That it would be appropriate to have a bolder risk appetite in order to support its desire to encourage innovation in the provision of IP legal services;
- d. That it would continue its approach whereby red risks are considered at each Board meeting and the entire risk register would be considered every 6 months;
- e. There would be an annual review of risk management arrangements;
- f. An external review of the Board's approach to risk oversight would be conducted approximately every 2 years.

6. Governance Action Plan Implementation

6.1 The CEO reported that due to the break over the festive period no further progress had been made since the December Board meeting. The report to the March Board meeting would include the outputs from the morning's discussion on risk oversight. The Board agreed that it would be appropriate to consider in March whether any adjustments to the Action Plan needed to be made.

6.2 The CEO reported that the upcoming 2022 Annual Report would provide an opportunity to enhance the appearance and content of the report for the Board to consider at its May meeting.

7. Review of Regulatory Arrangements – update on rule change application

7.1 The CEO reported that the Legal Services Board (LSB) had raised 7 questions about the regulatory arrangements review rule change application. A response had been drafted which had been reviewed by our external lawyers, Kingsley Napley. The CEO summarised for the Board the questions raised by the LSB and the proposed response:

- a. Waivers:
 - Why IPReg will not require provision of information about all waivers to clients? This is because it might relate to an individual's personal circumstances or may

be commercially sensitive. We will be as transparent as possible and will publish information in our annual report;

- What if a waiver resulted in unintended client detriment? In making waiver decisions, as when exercising all regulatory functions, IPReg must – so far as is reasonably practicable - act in a way that is compatible with the regulatory objectives set out in the Legal Services Act 2007. A decision which causes detriment to clients is unlikely to be compatible with our statutory duties. If on review we felt that the waiver should not have been given or had led to unintended consequences, we would have the ability to withdraw the waiver, having first made sure that there were appropriate arrangements in place to ensure continuing service to clients;
- How will IPReg ensure that its Board has sufficient oversight over the use of waiver powers? The Board will consider novel/complex applications; the CEO report will summarise applications.

b. PII Sandbox

- Will the 2024 assessment set a timeframe for any further review or closure date for the sandbox as appropriate? We anticipate that the Sandbox will provide evidence about whether it would be appropriate for IPReg to consult on changes to its regulatory arrangements for PII. If the review indicates that more time is needed to gather further evidence then it is likely that the Sandbox would be kept in place. If the evidence shows that a change in policy may be appropriate then it seems likely that the Sandbox would remain in place until those changes had been put into effect by consultation and the rule change process. Any decision to close the Sandbox without a change in policy would need to take into account the impact of doing so on firms and clients involved;
- How will IPReg ensure that its Board has sufficient oversight over the use of the Sandbox? The Board will consider novel/complex applications and advise on the risk assessment process and decision-making; the CEO report will summarise applications.

c. Client money

- Why has IPReg adopted a narrower approach than other legal regulators? The new definition is not out of step with the sector and the wider move towards liberalisation. IPReg's proposal excludes fees and disbursements where terms are agreed. The SRA definition (for example) excludes fees and disbursements where a bill is issued. Our drafting reflects the commercial approach taken in the IP sector and the type of consumers using IP legal services – mainly business to business where evidence from the LSB's small business survey indicates a more confident consumer base in relation to purchasing legal services;

- How has IPReg taken into account risks associated with significant advance payments? The risks associated with advance payments where the terms have been agreed have been a key focus in our development of the definition of client money. The risks from fraud and failure to account are significantly lower than in other areas of the legal market such as probate and conveyancing. The business-to-business nature of IP legal services and commercial practice as to when money passes from client to attorney are also different. We have included in the draft guidance provided as part of the application what is meant by “terms being agreed” and consideration of the potential risks to clients, emphasising the role of an attorney in assessing these risks. We have made clear in the guidance that where an attorney may be unsure as to the status of a sum of money, i.e. whether or not it is client money under our rules, then it should be treated as client money;
- Will withdrawals from a TPMA only be possible with the permission of both the firm and the client? This will depend on: (a) the TPMA rules (which are regulated by the FCA); and (b) commercial agreements between the firm and the client.

d. CPD

- What consideration has IPReg given to how its proposals take account of the LSB policy statement on ongoing competence? Reference will be made to the assessment against the policy statement considered at agenda item 9 of this meeting;
- How will IPReg determine the efficacy of an individual's CPD, and what it will do if it considers the recorded CPD activity is not effective? Any decisions as to the efficacy of an individual's CPD approach will be made with reference to IPReg's guidance on Continuing Competence and its broad Decision Making guidance. Areas of good practice will also be shared with the wider regulated community. In the first instance, our approach will be to work with attorneys to achieve an appropriate level of competence.

e. Transparency

- What consideration has IPReg given to how its proposed arrangements take account of the LSB policy statement on consumer empowerment? In particular, the expectations around information on quality and service? Our approach includes a number of significant consumer benefits resulting from our review of regulatory arrangements. There is a new provision that imposes an obligation on firms and attorneys to provide the best available information to clients and prospective clients and to keep this information updated as the work progresses. We have explained in more detail in our guidance what this means in practice, making it clear that it is context and client specific. In relation to

financial benefits, there is a new provision that introduces significant improvements in transparency. The firm must provide an explanation of any financial benefits, including but not limited to any commission, foreign exchange uplifts, discount or rebate received as a result of their client's instructions.

The Board discussed that the 2016 CMA report had emphasised the importance of transparency of pricing and quality information and would consider the upcoming research results from work that other regulators had been undertaking on quality indicators. However, in its judgement the decision to introduce mandatory provision of information about what are often hidden charges (e.g. foreign exchange uplifts) and opaque practices (e.g. referral arrangements) results directly from identifying these as the key issues of potential consumer detriment in the IP sector which justify regulatory intervention;

- What is IPReg's rationale for limiting mandatory transparency information to the point of engagement (rather than requirements for websites etc.)? This is a proportionate and targeted response to the evidence gathered through our review. This is a significant new requirement for attorneys which needs to be introduced in a proportionate way to facilitate compliance. Over time, we may consider requirements in relation to websites if the evidence suggests this is necessary;
- How does IPReg plan to monitor and enforce its proposed transparency requirements? We will carry out a thematic review to assess how well the new requirements have been implemented. We intend to report on our findings in the final quarter of 2024/first quarter of 2025.

f. Financial penalties

- Are the maximum levels for fines set out anywhere within the Core Regulatory Framework or SOP? What is the rationale for them? We are not proposing to change the maximum amounts from the current levels but we consider that it would be more transparent to amend the draft guidance to give greater prominence to the maximum levels by including them in the main body of the guidance;
- Why doesn't the draft sanctions guidance contain criteria for how the level of a financial penalty would be set? Decisions on sanctions (including the amount of any financial penalty and the methodology for determining it) under the new regulatory arrangements will be made independently of IPReg, although the decision makers will take into account our guidance and relevant case law. It may be appropriate to take turnover and/or financial means into account, but IPReg cannot fetter the independent decision makers' discretion in terms of

what are appropriate factors to consider in the particular circumstances of a case.

g. Counter-inclusive behaviour

- What are IPReg’s considerations about how its proposed regulatory arrangements help tackle counter- inclusive behaviour. For example, within firms between employees where the behaviour is not in a public forum? IPReg’s new regulatory arrangements include for the first time eight Overarching Principles which set out the ethical behaviours that IPReg expects all regulated persons to uphold. This includes not only in their professional life but also their private life where it is relevant to their practice as a regulated person. This much clearer and stronger commitment to tackling counter-inclusive behaviour should provide a significant deterrent effect to inappropriate behaviour within firms and in private life.

7.2 The Board noted that the response would be made to the LSB on 13 January 2023.

8. Complaints update

8.1 The Head of Registration reported that no new complaints had been received and none had been closed, although she expected that one complaint would be closed soon.

8.2 The Board noted that depending on the timing of the LSB decision on the rule change application, one current complaint may be put to a Complaints Review Committee (CRC). Other complaints currently being investigated would be considered by the new case examiners who would be drawn from the current Joint Disciplinary Panel and that training would be provided for them on the new arrangements.

9. Consumer empowerment – action plan

JB joined the meeting by video link.

9.1 The CEO presented the paper which updated the Board with work undertaken to develop how IPReg takes into account the LSB’s [Statement of Policy on empowering consumers](#) when exercising its own regulatory functions.

9.2 The Board discussed the following points:

- a. The progress that had been made in considering the LSB’s Statement of Policy and the work being proposed. It noted that, given the mainly business to business nature of the IP legal sector, there were no obvious consumer groups to obtain input from; we had made significant attempts to contact small business representative organisations during the Review of regulatory arrangements without success. The Board also noted that we hoped to get input from the Consumer Panel on the client advice leaflet on questions to ask about price transparency;
- b. That IP legal advice tends not to be “transactional” in the same way as, say, conveyancing or probate; it tends to focus on developing a strategic approach to the client’s intellectual property and often continues over a significant period of time. This means that hourly rate

price information may not be useful to a consumer. The IPReg and IPO websites currently provide a lot of information for consumers;

- c. The key issue of consumer detriment around price in the IP sector identified through the consultation on the review of regulatory arrangements is hidden costs such as foreign exchange uplifts and referral arrangements. The existing guidance on price transparency which was published after the CMA's report will be carried through to guidance under the new regulatory arrangements.

9.3 The Board:

- a. Noted the updated analysis; and
- b. Agreed that the related actions are a targeted and proportionate response to price transparency in that they are a combination of mandatory requirements for the areas of greatest consumer detriment and guidance on other areas.

10. Ongoing Competence – analysis

10.1 The CEO presented the paper which set out in an Annex the main aspects of the LSB's [Statement of Policy](#) on ongoing competence and how IPReg takes them into account in the development of its own strategy and policy. She explained that on 3 November the LSB wrote to IPReg asking for a progress report of work to date and an action plan for 12 months to 31 January 2024; the Annex would form the basis of the response to the LSB. The CEO reminded the Board that ongoing competence had been a key policy discussion during the review of regulatory arrangements and that we had taken into account the LSB's emerging thinking as our own review had progressed.

10.2 The CEO explained that some alternative approaches had been considered by the Team in terms of how best to take into account the LSB's Statement of Policy. Doing nothing is not an appropriate response because the LSB will take into account our approach to ongoing competence when it exercises its functions such as considering rule change applications and its performance management framework. Consideration had been given about whether we should bring forward the start of random sampling of CPD records which we had planned for the end of the transitional implementation period in late 2024. However, this would not be consistent with our public messaging about the need for a relatively long transitional process to allow firms and individuals to adjust to the new requirements. Consideration had also been given about whether to develop a detailed framework now for remedial action when standards of competence are not met. However, there is no evidence from first tier complaints, complaints to IPReg or complaints to the Ombudsman that any significant level of remedial action is required. The new regulatory arrangements provide for conditions to be imposed on an individual's practice and this power could be used in the event that a significant issue with an individual's competence is identified.

10.3 The Board discussed the following points:

- a. The best use of IPReg's resources at the moment is to focus on explaining the new approach through webinars and meetings with stakeholders; that approach is the most likely one to ensure high standards of competence going forward;
- b. Consistency of messaging was important particularly because this issue had attracted considerable interest during the consultation on the review. It would therefore not be proportionate to alter now the timescale for undertaking random sampling. Further evidence would be gathered during the 2024 annual renewal process;
- c. We had said in our response to the LSB's consultation that a longer timeframe would be needed than the LSB had suggested; the analysis of the work involved supported IPReg's position.

10.4 The Board agreed to submit the progress report to the LSB, subject to some presentational amendments.

Action: CEO to amend report to include the Board's points and submit to the LSB.

HR left the meeting at 2.30pm due to a prior engagement.

11. Patent Examination Board Final Diploma Examinations – Accreditation Decision

11.1 The Director of Policy presented the paper which set out the findings of the two independent assessors of the accreditation application by the Patent Examination Board (**PEB**) for the Final Diploma patent attorney qualifying pathway examinations:

- Final Diploma (FD) 1 – Advanced IP Law and Practice;
- Final Diploma (FD) 2 – Drafting of Specifications;
- Final Diploma (FD) 3 – Amendment of Specifications; and
- Final Diploma (FD) 4 – Infringement and Validity.

11.2 The assessors' report was annexed to the main paper and proposed accreditation of these examinations. However, their proposal was subject to the PEB taking forward 19 Mandatory Requirements which would enable it to meet the requirements in the [IPReg Accreditation Handbook](#). There were also two recommendations which it would be beneficial for the PEB to consider. The Director of Policy explained that although the number of Mandatory Requirements is not uncommon compared to assessor reports for other providers, the gravity of the issues they raise is because they concern fundamental governance and assessment issues.

11.3 The Board noted that its Education Working Group (EWG) agreed with the assessors' report and its proposal to accredit the Final Diploma examinations. It further noted that the proposal was that the accreditation would be for the standard period of 5 years and that there could be an independent formal specialist review of progress against the implementation plan after two years if there were concerns that Mandatory Requirements were not being implemented.

11.4 The EWG Chair reported that the timetable for the accreditation process had been rescheduled at the PEB's request to take into account various issues that it had raised, in particular the impact of the Mercer Review (which made a series of recommendations aiming to improve and modernise the

training and examination of patent attorneys in the UK). The EWG had therefore been disappointed to note that the PEB did not appear to have made any significant changes following the Mercer Report. In the EWG's view, the PEB is likely to find it challenging to implement the Mandatory Recommendations in a reasonable timescale. However, the EWG's view was that it was important to provide the PEB with a clear path to make all the changes required over a reasonable time period to enable them to make the commercial decisions necessary to implement the changes; a review after 2 years would help this process.

11.5 The Board discussed and agreed the following points:

- a. The cost to the PEB of meeting the accreditation standards – the cost is difficult to gauge but ultimately whilst PEB resources may be limited, it has to meet the Mandatory Requirements for accreditation; IPReg will want to have early discussions with the PEB and CIPA to determine capability, capacity and inclination to take the Mandatory Requirements forward. The Board considered that although there is a risk that the PEB may not be able to achieve the standards required this has to be balanced against the current situation where there is a risk to the standards from the quality of the PEB's approach;
- b. The need for the PEB to modernise its governance and examination processes; this would require good knowledge and understanding by the PEB of what changes are needed in its culture and leadership;
- c. To add this item to the agenda of the next Regulatory Forum with CIPA and CITMA and to discuss the work we are doing at the next Relationship Management meeting with the Legal Services Board.

11.6 The Board discussed whether a 5 year accreditation with a possible 2 year interim review was appropriate and considered other options:

- a. Reaccredit for 5 years but IPReg would reserve right to intervene earlier if necessary – this would give the PEB the opportunity and confidence to reconfigure its business model;
- b. Reaccredit for 5 years but reserve right to have a formal independent review after 2 years if there are concerns the Mandatory Requirements are not being implemented – this would also give the PEB the opportunity and confidence to reconfigure its business model and provide an additional incentive to adhere to the required timescale;
- c. Given the severity of the concerns raised by the assessment, make clear to the PEB that after 2 years its accreditation may be removed if it has not implemented the Mandatory Requirements. The Board considered that this approach would be a targeted and proportionate response to the seriousness of the concerns raised in the assessors' report and should provide sufficient incentive to the PEB to implement the reforms.

11.7 The Board agreed:

- a. To endorse the independent assessment report and its 19 Mandatory Requirements and 2 Recommendations;

- b. To approve (re)accreditation for 5 years of the PEB Final Diploma Examinations as an Advanced Level Qualification pathway for the patent attorney professions. This is subject to:
 - i. provision by 31 March 2023 of a satisfactory implementation plan which provides IPReg with assurance that the Mandatory Requirements and Recommendations will be met;
 - ii. that all Mandatory Requirements are delivered by 31 March 2025;
 - iii. soon after 31 March 2025 there will be a formal, independent, specialist review of the PEB's progress.
- c. If the 2025 review does not provide IPReg with the necessary confidence that the Mandatory Requirements have been met, IPReg reserves the right to trigger the IPReg Accreditation Withdrawal Policy Statement and Procedure;
- d. That IPReg will scrutinise progress of the implementation plan on a regular basis over the course of the next two years; this is likely to be undertaken more frequently than the annual reporting mechanism.

11.8 The Board agreed that it would follow its normal practice and publish the assessors' report and the PEB's implementation plan.

11.9 Additionally, the Board agreed to the CEO's proposal that we should discuss with economic consultancy firms work to review from first principles the regulatory concerns that the current situation raises and to develop what an ideal model could be. The Board delegated to the EWG the work to take this proposal forward.

Action: VS to inform PEB of Board accreditation decision

Action: FG and VS to take to EWG the regulatory model options

12. CEO's report

12.1 The CEO presented the paper which sets out the main issues to bring to the Board's attention that are not subject to a full Board paper.

12.2 The HoR reported that the annual return fees received so far are behind this time last year by a fairly significant amount; the reason for this was not clear. However, over 80% of individual annual returns had been completed and 53% of entity annual returns. On Monday 16 January IPReg will send a reminder that fees must be paid by 31 January or the attorney will be suspended. Fees unpaid at 31 March will result in removal from the register.

12.3 The CEO reported that the LSB's final regulatory performance assessment had included some of IPReg's comments on its draft report but had not changed the overall gradings. The Board welcomed

the LSB's indications of good practice by IPReg. The Board noted that IPReg has plans in place to deal with all the issues that the LSB had highlighted.

12.4 The Board noted that the Cost Lawyers Standards Board had been rated as meeting all the LSB's standards and agreed that we should suggest a Board to Board meeting.

12.5 The Board noted that the LSB was consulting on the business plan and budget and agreed that there was no need to respond to the consultation.

Action: CEO to contact CLSB CEO to arrange a Board meeting

12.6 The Chair reported that the Regulatory Forum with CIPA and CITMA Presidents and Vice-Presidents had discussed: relationships with the LSB; ongoing competence and the new approach to CPD; sanctions; the regulatory arrangements review; Board recruitment; and Queen Mary University London.

12.7 The Board noted the paper.

13. Sanctions update

13.1 The CEO presented the paper which set out the progress that has been made implementing IPReg's Sanctions Action Plan. An updated version of the Action Plan was provided which showed, in tracked changes, how the plan has been implemented and progress/evidence as of 5 January. The key action undertaken was to contact data analysis providers to see if they could analyse publicly available IPO data.

13.2 The Board noted the paper.

Items to note

14. Action log

The Board noted the action log.

15. Risk register – red risk

The Board noted the red risk.

16. Annual declaration of interests review

The Board noted the declarations and agreed that they should be published on the website.

17. Regulatory Statement

Confirmation that, except where expressly stated, all matters are approved by the Patent Regulation Board and the Trade Mark Regulation Board.