

The Patent Regulation Board and the Trade Mark Regulation Board

Application for Approval of Practice Fees for 2013

Summary - Level of Practice Fees for 2013

This application is in two parts; namely application for approval to:

- **maintain the practice fees** for individual registrants at the 2011 and 2012 levels; and
- **preserve for 2013** the temporary increase in practice fees payable by firms which was imposed in 2012 (namely a 50% increase).

In summary, therefore, IPReg is seeking approval to hold the practice fees for 2013 at the levels approved by the LSB for 2012.

1. Developing the application/Setting the Budget

- The 2012 fees matrix as submitted to the LSB for approval at the end of 2011 is again attached (**Annex 1**) with the approved 2012 (and as such the proposed 2013 figures) figures in blue. There are no changes to this matrix in relation to the 2013 figures.
- The method of calculation is, therefore, also unchanged.
- In its 2011 consultation regarding the temporary increase in the fees payable by firms, IPReg made clear that the increase would apply both in 2012 and 2013. This temporary uplift was, and still is, to fund the licensing application and associated work. IPReg does not intend to apply the increase beyond 2013 as the licensing application will have been concluded in 2013.
- It is possible that in 2014 IPReg will move to practice fees for firms based on turnover. This is as yet undecided but has already been the subject of consultation.
- In May the IPReg Governance Committee undertook a first review of the IPReg Business Plan for 2013 and the consequential budget. The Committee met again in June to consider the revisions. At the 17th July IPReg Board meeting the 2013 Business Plan and Budget, as developed

and recommended by the Governance Committee, were approved by the full board. The minutes of the July meeting attaching the draft plan and budget were posted on the IPReg website.

- The “AR Forum” met on 18th July to consider the business plan and budget. The AR Forum consists of the two presidents of the Institutes and two non council members of the profession plus the Chairman of IPReg and the chairman of the IPReg Governance Committee; the purpose of the forum being, as far as possible, to separate the AR function from the representational role of the Institutes. The members of the AR Forum supported the proposals and the proposed practice fees.
- The 2013 Business Plan and Budget have been posted on the IPReg website since mid July (against a budget timeline published at the beginning of the year). No concerns have been expressed directly by registrants or via the Institutes.
- The 2013 Business Plan is annexed (**Annex 2**).
- The 2013 Budget is annexed (**Annex 3**)
- In relation to contingencies :
 - Each year IPReg provides for a small operational contingency. This has not been called on in the 3 years of operation to date.
 - IPReg has provided for the cost of major projects over two budgets. Provision for a new website was made over 2011/2012. Provision for the costs of the application for licensing (borne by firms only) is over 2012/2013.
 - IPReg has provided £50,000 within the proposed 2013 budget for additional resource and other costs in relation to its licensing function expected to commence in 2014.
 - IPReg has determined that over a period of four years it will build a general contingency of £100,000 against significant unexpected costs. IPReg currently has £50,000 invested. This will rise to £75,000 at the end of 2012.

2. Permitted Purposes - Allocation of Income

In 2012 all income has been applied and in 2013 all income will be applied solely for the permitted purposes. The budgets/comparisons, which are provided below, evidence that the expenditure principally comprises:

- the levy to the LSB and for LeO
- the salaries of the three part time members of staff and two project consultants employed to undertake work in relation to the Licensing Application and the LETR exercise.
- the remuneration and expenses of the Chairman and Board members.
- accommodation and other office costs (with provision for potential restructuring of the IPReg office to met additional licensing obligations)
- provision for education and research projects.

The 2013 budget again contains a very modest allocation for IPReg “events”. This consists of presentations, principally by the Chairman, to registrants about IPReg.

IPReg has determined to increase the 2013 budget provision for disciplinary hearings as there is evidence of some increase in the number of complaints.

The approved 2012 budget (£530,150), the 2012 expenditure as at September and the proposed 2013 budget (£552,800) in pie chart form are attached (**Annex 4, 5 & 6**).

3 Regulatory Functions - Administration of the data for the Registers - Shared Services

In 2013 IPReg will continue to use the services of CIPA and ITMA for administration of its individual registers.

The cost of this service

- 2010 £69,265
- 2011 £46,422
- 2012 £42,000 (estimate)

The cost of the services in 2013 is budgeted at £47,500.

We did expect to terminate this service at the end of 2012 when our website/on line project were scheduled to go live so that the registers could be maintained via our own website.

However to ensure an orderly transition and proper piloting the services of CIPA and ITMA are being retained for another year.

It can be noted, therefore, that the only payment to CIPA and ITMA is in relation to the administration of the registers and is in return for a service. No funds are collected by IPReg or paid to CIPA and ITMA in relation to any of the representative activities of the Institutes.

A sample practice fees invoice has been supplied previously from which it can be seen that there is clear separation of the practice fees from the membership subscriptions.

Sources of Income

All income is derived from the practice fees charged by IPReg to registered attorneys and entities. Since January 2010 IPReg has received no financial assistance from CIPA and ITMA. IPReg is financially independent.

4. Clarity and Transparency

In the spring this year, IPReg issued its 2011 annual report to all registrants (**Annex 7**). This contained full details of our expenditure for 2011 and the 2012 budget.

The report contained a detailed Financial Review.

The IPReg audited accounts filed at House identifies separately the contingency sums held by IPReg (**Annex 8**).

5. Regulatory and Diversity Impact Assessments

Fees Matrix

As described in the 2012 application, the fees matrix is structured to ensure that UK registered attorneys and attorneys who are solely European registered attorneys (operating in the UK) and other professionals (lawyers) regulated by us effectively pay the same practice fees to IPReg.

For example:

UK RPA/RTA – individual fee of £170 plus the entity pays £55 for each UK attorney in its employ – total £225.

EPA/EPA – entity pays fees of £225 of each other lawyer in its employ.

Is there an adverse impact on particular sectors of the Community?

IPReg comments, made in its 2012 application, continue to apply. There are no new issues.

IPReg remains satisfied that the matrix is robust and fair and now understood. IPReg has consulted on a possible change of the practice fee matrix for entities to one based on turnover. IPReg is considering the responses but, in any event, would not move to an alternative matrix until 2014 at the earliest.

Special Bodies

IPReg does not regulate any special bodies and has not, therefore, been required to consider any departure from the general practice fees rules for any one special body or groups of special bodies.

Regulatory Objectives and Better Regulatory Principles

In the 2013 Budget IPReg has provided for the commissioning of research. IPReg wishes to identify areas where non regulated firms are seeking to provide (albeit non-reserved) intellectual legal services and the extent to which consumers are potentially misled.

In the summer, IPReg required registered firms to complete a detailed questionnaire. The purpose of the questionnaire was to enable IPReg to review the allocation of resource.

The outcome of this exercise has enabled IPReg to identify areas where education and training will be required to the profession and sectors within of the profession, particularly but not limited to post licensing and to plan accordingly.

There is therefore a substantial increase in the budget provision for research and education to facilitate these activities, the education and training element being likely to be undertaken in conjunction with CIPA and ITMA through a structured programme of practice skills based training.

6. Consultation with non commercial bodies and the Consumer Panel

IPReg has not consulted with non-commercial bodies. Intellectual Property legal services are specialist services and are not provided by non commercial bodies such as Law Centres.

The work is primarily “business to business” with only a very small number of individual inventor-clients.

That having been said all the financial information is available on the IPReg website including its management accounts, annual budget and accounts and business plans. IPReg is entirely transparent regarding its finances and financial management.

IPReg is content for the Legal Services Board to consult with the Consumer Panel to the extent this is considered necessary or appropriate.

Conclusion

We believe that the 2013 Business Plan can be implemented on the current levels of income and have determined, subject to approval by the LSB, to keep the practice fees for individuals at the 2012 levels.

Our submission to the LSB for approval of the 2013 fees structure reflects our continuing strategic view to maintain a “lean” approach to the provision of a well focused regulatory capability.

We respectfully request approval of the above proposals.

Ann Wright – Chief Executive

Michael Heap – Chairman

10th October 2012

Annexed Documents

Developing the application/Setting the Budget

- 1 2012 Fees Matrix (unchanged from 2012)
- 2 2013 Business Plan
- 3 2013 Budget

Permitted Purposes - Allocation of Income

- 4 Pie chart showing allocation of the 2012 budget
- 5 Pie chart showing the allocation of the 2012 expenditure as at September
- 6 Pie chart showing the allocation of the proposed 2013 budget

Clarity and Transparency

- 7 IPReg 2011 Annual Report
- 8 IPReg Financial Statements as at 31 December 2011