CITMA The Chartered Institute of Trade Mark Attorneys

Review of IPReg's regulatory arrangements: proposals for change

The Chartered Institute of Trade Mark Attorneys (CITMA) is responding to the consultation paper by IPReg in its capacity as an Approved Regulator, as defined in the Legal Services Act 2007 (the Act) and as the representative body for Chartered Trade Mark Attorneys and the wider trade mark and design profession.

The review of the consultation and preparation of this response has been conducted by the Executive committee of CITMA on behalf of the CITMA Council.

In responding to the consultation, we aim to offer a broad, over-arching response to represent the range of members and firms within the profession.

We are aware that firms and individuals will have views on some of the detailed practical points. We hope that this response will be supported by submissions made by individuals and firms who can share their thoughts along with additional information and evidence, which will help IPReg in forming a view on the proposals.

General points

We would like to thank IPReg for the consultation undertaken so far through a variety of formal and informal means before this particular consultation. This has helped IPReg to shape a set of arrangements which overall look to be more flexible, modern and fit for purpose.

Whilst the overarching aims of the new arrangements are commendable and, we believe, achievable, we have some concerns as to whether the proposals, whilst being flexible and modern, are overall proportionate to the risks for the consumer.

In addition, we have concerns as to whether the balance of the overall cost of compliance with the arrangements will be proportionate to the risks for the consumer.

Flexibility can no doubt be beneficial, but only if certainty over compliance is in place. We have a concern that, in some areas, the flexibility put in place by less prescriptive rules may lead to a need for increased resource to ensure compliance, which may result in the adoption of greater compliance mechanisms than is necessary.

Any increase in the cost of regulation, be that a direct cost, e.g. money, or an indirect cost, e.g. in time and effort, should be avoided.

Overall, the profession adheres to the current regulatory arrangements. This is demonstrated by the low number of disciplinary cases before IPReg or the Legal Ombudsman. We therefore see an opportunity for IPReg to reduce the burdens, implement further simplification, and increase an understanding of the requirements. From the consultation documents, it is not fully clear that this will be achieved, as there is still a lot of complexity.

There are some areas within the proposals where the detail is unclear and in relation to which further consultation would be beneficial. We would urge IPReg, when making decisions on the next steps in the summer of 2022, to build in time for further consultation.

This would be particularly helpful on aspects of the proposals where there is not a clear consensus across stakeholders and more detail is therefore needed to expand a proposal.

We would encourage IPReg to review the terminology, especially in any final arrangements. In some areas of the consultation the existing terminology is potentially confusing, with similar terms used which have different meanings, for example, “Registered person” and “Regulated person”.

In other areas variations of terms are used for what appears to be the same or a similar purpose.

For example:

- Consumer, public, clients, business
- Firms, practices, bodies
- Individuals, attorneys, person, registered person, regulated person, registered attorney, registered patent attorney, registered trade mark attorney

We are aware that Jonathan’s Voice have submitted a response which focusses on mental health and wellbeing. We would support the comments made by Jonathan’s Voice and encourage IPReg to consider these in preparing the final proposals.

We would be happy to discuss any of our response in more detail with IPReg and look forward to continuing to engage with IPReg as the proposals and details are developed.

Section 1 – Introduction and background to the review

Impact Assessment

Question 1: What are your views on our Impact Assessment and specifically the impact of our proposals in relation to equality, diversity and inclusion?

Equality, diversity and inclusion (EDI) are important factors to consider in the development of new regulatory arrangements.

We are aware that IP Inclusive have submitted a response to the consultation which focusses in detail on EDI elements and having seen and read the response, we generally support its points which are well made. Where there is a difference of view, such as in relation to recognition of overseas qualifications, our response should be noted accordingly.

To avoid repetition, we will not cover in our consultation response all the points made by IP Inclusive.

Overall, we believe the Impact Assessment (IA) to be proportionate and reasoned although we would have welcomed a more detailed cost analysis alongside some of the proposals. Where we have specific questions or observations on aspects of the IA these are set out in the appropriate sections of our response.

Section 2 – Our approach to the new regulatory arrangements

Principles and Code of Conduct

Question 2: What are your views on the eight Principles we have set out?

We would broadly support the eight principles set out in the consultation document.

The proposal to extend the principles to "all aspects of their life, be this within the professional practice or private life" introduces some interesting questions about the scope of regulation and how far-reaching provisions should be.

We are of the view that if this is to be adopted, IPReg should provide guidance to help registrants and consumers understand which aspects of private life may be subject to, and potentially breach, the principles and code of conduct. Conversely, it would be useful to outline examples or scenarios where a breach would be unlikely to occur.

This would provide some reassurance to attorneys about the extent of the regulatory provisions.

We would also like to understand the justification for a broadening of scope to include private life, because it is not entirely clear from the consultation why this is necessary. Is it because it is good regulatory practice to do so, and this is the model adopted in other areas of the legal profession or in other regulated sectors? Or is it that there is a particular need to do so to protect the consumer from a particular risk which IPReg have identified? Or is there another reason?

We consider there to be some merit in the provision, particularly where the behaviour clearly risks undermining the trust in the individual or profession as a whole, but we would welcome some examples in guidance of where and how this might occur.

Question 3: What are your views on the Code of Conduct – does it capture the right requirements or is there anything missing?

We believe that the Code of Conduct (the code) as written should overall provide greater flexibility to those regulated by IPReg.

We welcome the proposed reduction in prescriptive rules, although we will observe with interest whether any of the provisions in the code become 'grey areas' and may require further guidance or more prescriptive rules. This is only likely to become apparent as the new regulatory arrangements bed in.

The code provides the rules on the basis of which attorneys could be challenged via a complaint, which could in turn lead to entry into the disciplinary process. An attorney and/or their firm is therefore likely to adopt a belt and braces approach to ensure compliance rather than a more relaxed approach which would expose them to a risk of non-compliance.

In some areas this may be burdensome and even unnecessary. It is important to ensure there is flexibility and recourse for accidental failures and clear guidance to support appropriate and proportionate compliance.

There are provisions within the code where we would offer specific observations:

3.2 – We are not sure of the exact intention behind this provision and to whom it would and would not apply. For example, is it expected that foreign attorneys would be required to comply fully with IPReg's regulatory arrangements if they have been contracted by an individual or firm regulated by IPReg? If so, this is not feasible in reality.

Or is this provision only meant to be in respect of an attorney, regulated by IPReg, contracting another attorney, regulated by IPReg. For example, an attorney working in-house contracting a firm to carry out their filing or contentious work?

As drafted this provision seems ambiguous.

3.6 – A softer approach may be more palatable and offer some reassurance that IPReg will be sensible in determining any timeframes for information, documentation or the payment of fees. Inserting 'reasonable' before timeframe would help.

3.8 – Dependent on what "as determined by IPReg" means, we have a concern that compliance with this provision will be detrimental to some firms, particularly smaller firms where anonymising the data is extremely difficult. The outcome from this provision could be counter-productive, so we would encourage IPReg to look at this again.

3.9 – It is not feasible for a practice to manage all material risks. The identification, management and monitoring of risk is a key component of running a good practice and will help protect the consumer. However, there will be unknown risks which may materialise quickly as an issue and therefore we would suggest this provision is reworded to recognise the reality of running a practice.

Perhaps an addition could be made to indicate that where a material risk is not known or identified, but becomes an issue, it is managed effectively to minimise the impact on clients / consumers.

4.6 – We question whether it is proportionate for IPReg to be notified in all circumstances where client money cannot be returned to the client and would like to understand the rationale behind this requirement and how it will work in practice, if this is the intention.

We would support the principle that any client money above a particular threshold should be donated to a charity of choice, but we would wish to see guidance or more detail to indicate the circumstances in which a donation can or should be made.

For example, are there certain activities which should be completed in an attempt to return any money before donating to charity or if below a certain threshold, using it for other purposes? Is there a timeframe within which these activities should be completed? Is there any recourse available to a client who seeks a return of the money after it has been donated to a charity?

We would also like to see this broadened beyond making a charitable donation. For example, the money could be used by a firm to enhance or subsidise a Corporate Social Responsibility activity.

5.2.2.2 – Will IPReg provide a list of approved bodies or a few examples, as this is slightly vague? We assume that approved body means a body such as the Chartered Institute of Arbitrators[1], for example.

There are no specific requirements which we believe are missing from the code.

Given the importance of the code and the fact that some individuals and firms may wish to share it with clients as part of their terms of engagement, we feel that it would be better for the code to be presented as a standalone document rather than forming a chapter within the Core Regulatory Framework. Perhaps if it remains in the Core Regulatory Framework it could also be provided as a standalone resource for this purpose.

[1] https://www.ciarb.org/

Question 4: We would be interested in your views on where guidance is required to support attorneys and firms with compliance? Are there any specific examples or particularly difficult issues?

As indicated throughout our response, we are of the view that detailed guidance will be very important for bedding in any new arrangements and will help to ensure that attorneys and firms understand it and get it right first time.

At the same time, clear and constructive guidance should help IPReg with resources by it having to field less enquiries and providing less day-to-day support.

We would recommend that compliance is kept under review as areas for guidance could develop in the future once the proposed new arrangements are in operation.

Procedural rules – admissions and disciplinary

We would strongly suggest that the procedures for considering applications to the register, based on overseas qualifications, should not be made easier than the current arrangements.

Given the complexities and differences in requirements across jurisdictions, we would expect to see, in most cases, IPReg requiring additional steps to be taken for entry onto the Register of Trade Mark Attorneys to ensure that applicants' skills, knowledge and training are at the appropriate level.

The requirements in the UK are higher than in many other jurisdictions and in turn it is widely considered that the UK has higher standards. We would not want to see any changes fetter this position.

We would also expect IPReg to look carefully at the requirements for UK attorneys who may seek qualification in other jurisdictions.

Section 3 – key policy changes

Client money

Question 5: What are your views on the proposed approach to the definition of client money and the requirements included within the Code? Do you think we have missed any benefits or risks in our analysis?

We believe that the proposals are sensible and proportionate.

Under the current arrangements this has been a complicated area to understand and the changes proposed will make it easier for attorneys and firms to distinguish what is and is not client money and how the respective monies should be treated.

One area not covered in the consultation, but where we have heard that guidance or clarity would be welcomed, is the treatment of official fee refunds received on behalf of clients. There are questions as to whether, assuming that it is to be treated as client money, the funds can be used to offset unbilled charges, especially if there is a portfolio of work.

IPReg may wish to look at developing some scenarios which would further help to develop a better understanding of how client money is treated.

Question 6: For regulated attorneys and firms, please tell us in confidence how much client money you hold and how that would change under the proposed definition?

Not applicable.

Continuing Professional Development

Question 7: What are your views on our proposals in relation to CPD?

In our response to the call for evidence we highlighted that the current model of a set number of hours CPD to be completed annually was well known across the regulated profession.

We are also of the view that output-based reflective learning is becoming well known across the legal sector and would help maintain and improve standards. The proposals provide much needed flexibility and allow for differences in what training and development is needed for individuals at different stages of their career and with different specialisms.

Although supportive of the proposals, we would like to see IPReg adopt a hybrid approach, incorporating an indicative, minimum or average number of hours alongside an output-based reflective model.

An alternative could be to include a maximum number of years in which completed CPD hours is allowed to be below a minimum level.

We feel that a hybrid model would reduce the risk of attorneys indicating they have a very narrow training need and that as a result they do not undertake CPD. This could lead to a fall in standards.

An hours-based requirement is easy for the consumer to understand and offers a greater assurance of ongoing competence than a broader statement that attorneys are required to carry out CPD based on their training needs.

It should be made clear that it is acceptable for there to be times when the number of hours in a year may be lower than the minimum or average. In these circumstances any supporting training log should indicate why the minimum or average has not been met.

It maybe that a hybrid approach would only be beneficial as a transitional provision and therefore be time limited – for example, 2-3 years.

If a hybrid approach is not formally adopted we would like to see IPReg encourage registrants, through guidance, to log the number of hours CPD which they fulfil against planned outputs.

Question 8: For regulated attorneys and firms, what would be helpful in terms of guidance and resources for the proposed new CPD requirements?

If a log of all CPD activity should be kept it would be helpful for IPReg to publish a template of a log and the relevant information which should be captured.

It would also be helpful for IPReg to publish guidance which would help attorneys to reflect on their training needs and any CPD undertaken.

The proposed changes are not insignificant, and we are aware that when the Solicitors Regulation Authority (SRA) brought in similar changes it was not necessarily straightforward. Any learning from the experience of the SRA would help IPReg and we are of the view that

guidance will be crucial to help registrants transition and understand what they are required to do.

IPReg may need to be more lenient in the early stages when looking at compliance, in order to reflect the extent of the change and the time needed for registrants to become accustomed to a new approach.

Litigation skills

Question 9: What are your views on the principle that all attorneys should obtain basic litigation skills before the point of admission? How do you think this could work in practice?

As this section of the consultation primarily focusses on and impacts Registered Patent Attorneys we do not have any substantive comments.

We are of the view that the inclusion of basic litigation skills within the current qualification arrangements for those seeking to qualify as a Registered Trade Mark Attorney should remain and we would not wish to see this removed by IPReg. The current arrangements work well.

Question 10: Do you think that any changes are needed in respect of advanced litigation skills?

We do not believe that any changes are needed at this time. The courses which deliver advanced litigation skills are of good standing and cover the range of skills currently needed.

We would however recommend that this is kept under constant review, as changes to qualification and training in other areas may have an indirect impact, for example, the new Solicitors Qualification Examination (SQE) being implemented by the Solicitors Regulation Authority (SRA).

Transparency requirements

Question 11: What are your views on how the proposed transparency requirements might work in practice for both regulated attorneys and consumers of IP legal services? Are there any particular elements of it that might be costly or difficult to implement?

We would be generally supportive of the transparency requirements outlined by IPReg.

Some guidance may be helpful, particularly in how much information should be supplied and how frequently.

It is pleasing that IPReg will adopt a “pragmatic approach” and is recognising that not all work undertaken by an attorney, or their firm, is one-off transactional. More often an attorney will be undertaking portfolio work which covers a multitude of transactional and non-transactional, but billable work.

A pragmatic approach is open to interpretation and therefore guidance on how to communicate charges to clients who have large portfolios and multiple instructions rolling onwards would be beneficial.

As IPReg will appreciate, it would be impractical and inappropriate for a client to receive multiple copies for each and every instruction and in some instances it is not possible to

provide the total cost with a high degree of accuracy before commencing the work. Guidance would help understand the requirements and ensure that registrants are not falling below any compliance level.

We have some concerns that the transparency requirements for regulated individuals and firms, whilst overall beneficial, will not necessarily lead to a better-informed consumer, especially as those operating outside of the regulatory framework are under no obligation to be transparent or indicate they are unregulated. A comparison of costs could be easily skewed. It is hoped that more information about the regulatory protections to consumers would help offset this unbalanced position.

Disciplinary policy and process

We are very pleased to see the disciplinary process re-written with the aim of making it more efficient and able to meet the objectives outlined in the consultation.

We have had concerns about the current disciplinary process, which we have felt to be inflexible, costly, lengthy and potentially unfair.

Any disciplinary process and procedure needs to be suitably robust. The procedure should give consumers and attorneys confidence and the understanding that compliance with the code is important and that failure to do so can lead to remedies and consequences. However, this should be proportionate with the type of disciplinary matter and the sanctions/outcomes from the proceedings.

Without wishing to comment on individual cases, we have observed, in the limited number of cases which have been before IPReg, some significant cost orders following protracted proceedings.

These cost orders are largely due to the expense of unnecessarily complex proceedings and therefore where the costs can be reduced, without undermining the consequences of not complying with the code, we would fully support a streamlined approach.

We have some concerns that the IA does not seem to offer any detailed information on the cost of the new disciplinary procedures compared to the current procedures. We would also expect to see some estimate of the proportion of cases which may be resolved early and thus the save on costs.

There is a concern that the procedures may result in a higher cost to IPReg, which in turn could lead to higher practice fees for individuals and firms. It should be possible to introduce a robust disciplinary process which is also more cost-efficient than the current procedures. It may be possible to further streamline the process and make it simpler so that it is easy, in brief, to understand what is involved in any disciplinary matter.

There is a need to see how any process works in practice, therefore we would ask IPReg to be open-minded about making further changes if any new process does not deliver the benefits expected.

We are pleased to see that IPReg is willing to consider alternative approaches, for example in the pooling of lay-members. Whilst we have indicated in the questions in this section a general support, we would urge IPReg to go beyond the pooling of lay-members and explore ways in which the expertise of other legal regulators in providing disciplinary proceedings could be used. This may only be necessary for cases which are not resolved at first instance but could negate the need for significant training costs.

We would like to see, in any disciplinary process adopted and in any related policy areas, appropriate safeguards in place to prevent an 'accidental' forcing of individuals or firms to operate as unregulated. We would ask IPReg to look at scenarios which may arise and ensure that IPReg is in full control of who can or cannot be regulated so that it is not attributable to a flaw or gap in the process or due to limitations in other areas. An example of this is the currently severely limited insurance market.

Question 12: What are your views on our proposal to introduce independent case examiners to our disciplinary process?

We would be happy to support the proposal to introduce independent case examiners on the basis that this would expedite cases and ensure that only those cases which truly merit a consideration by a Disciplinary Panel proceed to the full proceedings.

It would be useful for IPReg to introduce a clear Key Performance Indicator (KPI) for the processing of cases from the regulatory concern being identified to a decision by the case examiner. This would help to try and ensure that cases are dealt with in a timely manner and enable the consumer and attorneys to understand the timescales involved.

Whilst the Standard Operating Procedure indicates some time frames for elements of the process, it would be helpful for an overarching KPI to be developed which can be publicised and reported on at least annually.

Question 13: What are your views on our proposal to widen the range of consensual disposal options and therefore increase the option to dispose of a case at an early stage in order to reduce the cost and burden of regulation? Are there any sanctions which should be reserved to the disciplinary tribunal only?

We fully support the proposal. Appropriate disposal of applicable cases at an early stage is a vitally important provision and should reduce the cost and burden, allowing appropriate cases to be streamlined.

It should reduce the stress on attorneys who find themselves involved in a disciplinary matter and potentially reduce the costs, administration and resources needed by IPReg to process cases.

Question 14: What are your views on our proposal to widen the pool of professional panel members to include non-attorneys?

We are broadly supportive of the proposal to widen the pool of professional panel members to include non-attorneys.

There is a requirement for a clear understanding and for the development of criteria to ensure that a non-attorney is only used in cases where there is not a technical issue involved in the complaint.

As a case may be considered in the first instance by a case examiner without technical expertise, it may be sensible when inviting the respondent to make any submissions, to ask directly whether they are aware of any technical aspect of the complaint which may need the consideration of a professional panel member who is a Registered Patent Attorney or a Registered Trade Mark Attorney.

On a point of detail, in the Core Regulatory Framework document at Chapter 4, section 1.6.3, there could be circumstances where a case is resolved by mutual agreement, but not

by way of one of or a combination of the five 'ways' listed. For example, agreement that there was a misunderstanding following submissions, or a simple apology being made by an attorney / firm. Is there a particular need for a list?

Question 15: What are your views on our proposal to introduce new powers for interim orders?

We would support the introduction of new powers to make interim orders, but we would welcome more information or guidance on the type of cases which would result in an interim order being issued.

We would envisage the need for an interim order to exist only in rare situations, therefore it would be helpful to understand in more detail how this would work in practice and what the criteria would be where an interim order is likely to be issued.

We would require assurance that the process would not become convoluted, for example, all cases being investigated in detail to assess whether an interim order is applicable and submissions being required in every case.

Section 4 – Competition and innovation

Multidisciplinary practices

Question 16: We are interested in views on this proposal including the potential practical implications of an IPReg regulated business broadening its range of service. For instance, is this likely to present particular issues in respect of conflicts, confidentiality or PII?

We are not aware of a demand for change and would be interested to understand in more detail the work carried out by IPReg in formulating the proposals for change in this area.

We hope that IPReg will receive responses from individual firms, as they are likely to provide more detailed views on the proposals in this section.

Professional Indemnity Insurance

We fully support the position which IPReg is taking in recognising Professional Indemnity Insurance (PII) as an important regulatory protection. It is one of several key differentiators between unregulated and regulated providers of IP services, offering consumers appropriate assurances and safeguards.

As highlighted in our response to the call for evidence and in conversations with IPReg, we have significant concerns at the lack of competition for PII and the diminishing number of participating insurers. Two participating insurers is clearly not enough to establish a competitive market. We support investigation of alternative models, particularly if changing the minimum terms and conditions to encourage entry into the market is not advisable.

We would support the change to PII no longer being a requirement for attorneys who act as consultants and are not providing services directly to the public.

Question 17: What are your views on the proposal to introduce a regulatory sandbox for PII?

We welcome the innovation from IPReg to try and help address a growing problem for the profession and the wider legal services market. The theory behind a regulatory sandbox for PII makes sense and could potentially be a solution for some firms who are unable to obtain insurance through the two current participating insurers.

We would however make some observations and raise questions for IPReg to consider.

We would be interested to understand whether the time allowed in the sandbox will be limited or indefinite. What is the justification for the answer to this question?

Sandboxes generally enable new products or services to be tested in a safe environment, which suggests that they are usually time-limited.

From the consultation it is not clear if any application to the sandbox will have to show a degree of novelty in the services offered or whether traditional services provided by individuals or firms who cannot obtain insurance through a participating insurer, but have insurance elsewhere, would be enough to be accepted?

It might be helpful for IPReg to develop guidance to enable attorneys and firms to understand the circumstances where the sandbox would and would not be applicable beyond what is outlined in the consultation.

We have witnessed under the current regulatory arrangements a situation where individuals and firms are unable to obtain PII due to circumstances not, by and large, within their control. This has resulted in decisions being taken by individuals and firms to operate outside of the regulatory framework. This is a position which neither the individual, firm, IPReg or CITMA would want to be in or see happen. We would like to be assured therefore that the sandbox would be a suitable alternative to remove this irregularity.

The consultation indicates that the costs for expert advice to IPReg will be charged to the applicant. The IA indicates the costs for this expert advice, the costs for being in the sandbox, or the costs for the implementation of a sandbox are not known at this time. Whilst we support the general principle of a sandbox, we have concerns that little research on potential costs has been carried out ahead of consulting on the proposal.

Is IPReg confident that the cost of expert advice will not be prohibitive to applications being made?

Does IPReg envisage that all applications will need expert advice or is there a basic criterion according to which IPReg can make an assessment for most cases, thus reducing the potential costs to applicants?

We would expect a more detailed cost analysis to be conducted before any decision is taken to proceed with this aspect of the proposed changes.

In addition, potential applicants should be able to understand the cost involved and therefore transparency in this area is important, particularly if it is to be a successful change to the current PII regime.

If the cost of expert advice is too expensive the possibility of a sandbox becomes prohibitive and a non-starter.

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Practising categories including sole traders

Question 18: What are your views on the proposed changes to the practising categories?

We would generally support a change to the current practising categories but we would welcome further detail and consultation on the proposals in order to ensure that the changes are understood, fit-for-purpose and will deliver the aims set out in the consultation paper.

Given any changes in this area would not be implemented immediately, it is hoped that further time can be given by IPReg for deeper discussion and consultation on this area.

We would welcome changes which better reflect the marketplace but we would like more time to understand whether the proposals constitute the right approach, what the definition of risk is (the consultation does not define the risk) and what an appropriate definition of public / consumer might be.

It is likely that the public (consumers) would only distinguish whether someone is on the register or not and in most circumstances would not delve deeper into the risk profiles of the different categories proposed. We are therefore of the view that, whilst the changes might simplify the categories and closer reflect the real world, this would largely be for the benefit of attorneys, firms and IPReg.

Although the level of detail is not provided in the consultation, we would encourage IPReg to explore whether time limits should be provided for those attorneys who declare themselves as 'not in active practice' (or any equivalent category or provision under any new arrangements) and provide guidance about the circumstances which warrant acceptance to this category.

Under the current arrangements it is not clear in what circumstances 'not in active practice' applies, and we are aware of examples where individuals have been in this category for many years, which we feel is hard to justify.

If this category is to allow for career breaks and temporary pauses in full registration, then IPReg should look to provide more details to both the public and attorneys.

IPReg should also undertake more proactive work to actively manage those in this category to preserve the integrity of the register.

Question 19: For regulated attorneys and firms, please can you tell us whether you provide services to the public and if so, what proportion are individual clients and which are business clients?

Not applicable.

For and on behalf of the Chartered Institute of Trade Mark Attorneys

Keven Bader
Chief Executive

31st March 2022