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## **RE: Proposed Intellectual Property Laws Amendment Bill**

### **INTRODUCTION**

These submissions have been prepared for Ellis Terry by Mathew Campbell of Terry IP Law Limited and Terry IP Patent Attorneys Limited, and by Emily Ellis and Rachael Koelmeyer of Ellis IP Limited.

### **PATENTS**

#### **DIVISIONAL PATENT APPLICATIONS**

##### **Question P1**

We do not agree with the proposed amendments to the transitional provisions.

Divisional applications are a way for an applicant to pursue protection for their invention across multiple applications. An applicant may have established their strategy for obtaining protection for their invention on the basis that they intend to file one or more divisional applications over time. This is a valid and well-established approach, which is in line with the 1953 Act and with practice in the industry.

MBIE's proposal seeks to disallow that strategy for any applications who have already chosen to follow it. The proposed amendments therefore operate as a retrospective law change, since it will change the law under which an application was originally made. An applicant who implemented a patent strategy on the basis that divisional applications would be examined under the 1953 Act requirements would find that the law has changed under them.

As noted at paragraph 53, applications are drafted with a view to satisfying the legal requirements at the time of filing. Support was never a requirement for a patent under the 1953 Act. Despite the contention at paragraph 70 that most applications would comply with the support requirements, this is not sufficient: there will inevitably be some which do not. Moreover, this is not something that can be fixed subsequently. To require applicants to retrospectively comply with rules that did not exist at the application date of the application and that cannot be addressed subsequently is unjust.

While retrospective law changes may be justified in limited cases, this is not one. The number of 1953 Act divisional applications are very low. This is a situation which will solve itself in a few more years, as any pending applications will pass the 20-year term from their filing date. Moreover, no new inventions are being added to this pool. This is a situation which, if ignored, will resolve itself.

But even if there were a need to limit the number of 1953 Act divisional applications, this could be achieved simply through increasing filing fees for later-generation divisional applications. It is likely

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that the bulk of the pending 1953 Act divisional applications are filed on the basis of a rational cost–benefit analysis. The cost of refiling a 1953 Act divisional is very low, such that any perceived benefit is likely to justify the filing. If the filing cost for each later-generation divisional application were increased based on its generation, the cost may well outweigh the benefit and the applicant would decline to file a further divisional application.

This approach would be a more balanced and measured way to address any perceived problems with 1953 Act divisional applications without any need for retrospective law changes.

## **Question P2**

We do not agree with MBIE’s assessment of the potential problems caused by “daisy-chaining” divisional patent applications.

All 2013 Act divisional applications must be filed within 5 years of the application date under section 64 and regulation 71. This effectively limits the number of divisional applications that will be filed in any family, and more importantly, the length of time an application for an invention is pending.

While 1953 Act applications do not have this requirement, there are few of these. Moreover, as noted in relation to question P1, this is a problem which will solve itself soon without any law changes.

On this basis, the contentions at paragraph 84 that a parent application can be kept pending for up to twenty years from filing and at paragraph 87 that competitors may have to wait for an indefinite period are spurious.

Whether an invention is pursued in a single application which sits unexamined until the 5-year deadline or in a suite of divisional applications which are each unexamined until the 5-year deadline makes no difference to the public. The issue is not daisy-chained divisional applications. The problem (to the extent it is a problem at all) is having unexamined, pending applications at all.

If a third party feels that an unexamined application is an issue, they already have a remedy: they can require the Commissioner to direct that examination take place under section 64(3). They could also present assertions during examination under section 90. There is no evidence that this system is failing to ameliorate any concerns that third parties have.

For this reason, the proposed changes will do nothing to address the identified problems, if those problems even truly exist.

In contrast, the proposed changes will have an undesirable effect. Currently, an applicant can request examination early with no substantial disadvantage, since a divisional application can be filed to pursue other aspects of the invention. This is helpful to the public, as they will see the outcome of examination early.

However, if daisy-chained divisionals are disallowed, the applicant will have a strong incentive to keep the first filed application unexamined for as long as possible. The rational approach would be to file one or more divisional applications early and request examination on only those divisional applications, while leaving the first-filed application unexamined until the end of the 5-year deadline. The proposed changes will therefore lead to increased costs for applicants, but will address none of the alleged problems.

Moreover, we note that Australia has no similar limit of daisy-chaining divisional applications. There is a major benefit in avoiding further differences between Australian and New Zealand practice.

Among major jurisdictions, none of the US, Europe, or Japan limit the ability of an applicant to file further divisional applications to a certain period from the first filing.

Indeed, the European experience is instructive. In 2010, the European Patent Office limited divisional applications to two years from the examining division's first communication on the first filed European application. This was rolled back in 2014 due to the change punishing legitimate users of the patent system while failing to address any real problems. New Zealand should learn from the experience of other jurisdictions, not retry failed policies.

### **Question P3**

We do not agree with MBIE's preferred option for daisy-chained divisional patent applications.

As noted above in relation to question P2, daisy-chaining divisional applications is not a real problem, and any limits to daisy-chaining involves a real risk of undesirable side effects. We therefore support option (i): maintaining the status quo.

The current 5-year deadline for requesting examination under section 64 and regulation 71 balances the ability of the applicant to obtain reasonable protection for their invention with certainty for the public.

MBIE's preferred option puts the applicant's ability to obtain protection subject to the vagaries of IPONZ's workloads. As noted at paragraph 96, there is no obligation for IPONZ to examine an application within any given period. Once a divisional application is filed with a request for examination, IPONZ may simply fail to examine it until the all-family deadline passes. For example, IPONZ's current timeframe for issuing a first examination report is around 4 months. Thus any divisional application filed more than 8 months after the parent application is likely to lapse without any possibility of being examined. The applicant has been deprived of any opportunity to pursue protection for their invention.

If IPONZ's timeframe for issuing a first examination report ever passed 12 months, it would become impossible for a divisional application to be filed once examination has begun on the parent application. While IPONZ may insist that it will prioritise divisional applications, this is at IPONZ's discretion, and this provides no certainty to an applicant.

This could be mitigated by adopting a dual deadline for putting a divisional application in order for acceptance: a first time period (such as 12 months) of the first examination report of the parent or a second time period (such as 6 months) of the first examination report of the divisional, whichever is later. This provides that the applicant will always have a reasonable opportunity to put their application in order for acceptance, avoids any delays at IPONZ affecting the applicant's right to protect their invention, and still satisfies factors (i)–(iii) noted at paragraph 92.

### **Question P4**

As noted in relation to question P3, any time period which is subject to IPONZ's workloads is inappropriate.

## **REQUESTS FOR EXAMINATION**

### **Question P5**

We agree with MBIE's analysis of the issue and the proposed solution.

## **POISONOUS PRIORITIES AND POISONOUS DIVISIONALS**

### **Question P6**

We agree with the MBIE's analysis due to lack of evidence that this presents a real problem that cannot be avoided by applicants and practitioners.

### **Question P7**

We agree with MBIE's analysis of the issue and the proposed solution.

## **MULTIPLE PRIORITY DATES**

### **Question P8**

We agree with MBIE's analysis. Providing for claims to have multiple priority dates is likely to increase the complexity in determining the scope of a patent without solving any identifiable problems.

## **EXTENSIONS OF TIME WHEN HEARING IS REQUESTED**

### **Question P9**

We agree with MBIE's preferred option.

As noted at paragraph 196, relying on discretionary extensions of time under section 230 gives the applicant no certainty. By providing for a non-discretionary extension system, along the lines of what MBIE proposes, this clarifies where all parties stand.

### **Question P10**

We do not agree with MBIE's proposed approach.

Once the 12-month section 71(1) period has expired, the applicant is strongly incentivised to proceed with a hearing. The alternative is to allow their application to lapse.

However, there may be situations in which, after requesting a hearing, the applicant discovers they could put their application in order for acceptance without the need for a hearing. In such cases, applicants should be encouraged to withdraw their request for a hearing to avoid delays and the use of resources at the Hearings Office.

By providing a short period after withdrawing the request for a hearing for putting their application in order for acceptance, this incentivises applicants to withdraw their request for a hearing and allow examination to proceed and conclude in the usual manner. Because the period is short, it is unlikely that this would cause unforeseen consequences or to unduly lengthen examination.

We propose that a twenty working day period for putting the application in order for acceptance be provided after a request for a hearing is withdrawn. This aligns with the period proposed by MBIE after a Commissioner's decision suggested at paragraph 200.

## **THE UTILITY REQUIREMENT**

### **Question P11**

We consider that the usefulness requirements in the 2013 Act are unclear.

Paragraph 208 correctly sets out the issues and paragraph 209 correctly sets out the consequences.

Ultimately, this arose from a lack of guidance during the enactment of section 10 as to whether it was intended to replace or supplement classical utility. There is a reasonable argument in either direction, which necessarily means that applicants and the public do not and cannot know what the requirements are. This was acknowledged by the Assistant Commissioner in *CNH Industrial Belgium NV* [2018] NZIPOPAT 7 [5] (30 April 2018), who noted that “the law in this area is not yet clear”.

This is a situation which might be resolved by the courts in due course. However, in the meantime, applicants are disadvantaged by the lack of clarity in the requirements for obtaining a valid patent and may end up with an invalid patent through no substantive fault on their own. Likewise, the public is disadvantaged if patents are being granted which do not meet the requirements of classical utility (if it ultimately turns out that is a requirement).

This is not a situation where the rights of one party must be weighed against another. No person benefits from the current lack of clarity, and every person will benefit from the law becoming clear.

Given the 2013 Act included an express utility provision in section 10, it seems likely that Parliament had or would have intended to abolish classical utility. We therefore propose that the 2013 Act be amended to make explicit that there is no requirement for classical utility.

## **SWISS-TYPE CLAIMS**

### **Question P12**

We agree that the 2013 Act should not be amended to allow for EPC2000-type claims solely on the basis that there has been no evidence that the current approach is problematic.

## **EXHAUSTION OF PATENT RIGHTS**

### **Question P13**

We do not agree that the 2013 Act should be amended to explicitly provide for exhaustion of patent rights.

New Zealand patent law has not previously provided for the exhaustion of patent rights. As noted at paragraph 242, the most relevant case on exhaustion of patent rights in New Zealand is a century old. If there was a problem caused by New Zealand’s current approach, this would have become apparent by now.

However, as noted at paragraph 254, the lack of an exhaustion provision in the 2013 Act has not led to problems. The current approach works.

Introducing a new regime necessarily leads to uncertainty. While we are often able to look at judgments in countries with similar Patents Acts (such as Australia or the United Kingdom) for guidance, no country with a similar Patents Act has express exhaustion of rights provisions. This uncertainty would place a real cost on New Zealand applicants and the New Zealand public.

The proposal to introduce a regime for the exhaustion of patent rights in New Zealand is therefore merely a change for the sake of change: to move from an approach that works and has no identified problems to a system which is unproven, uncertain, and unnecessary. Such a change benefits no one.

#### **Question P14**

If the 2013 Act is amended to provide for the exhaustion of patent rights, this should be limited to domestic exhaustion.

Under a domestic exhaustion regime, a New Zealand patent owner must sell, or give permission for the sale of the product in New Zealand. Since a New Zealand patent gives the right to prevent others from selling the product, and since the exhaustion is triggered by the sale of the product in New Zealand, there is a direct nexus between the patent owner's actions and the exhaustion of their patent rights.

Moreover, since the sale and the infringement both take place within New Zealand, any patent litigation would similarly take place within New Zealand. A New Zealand-based party to a dispute is more likely to have the power to discover necessary documents and the New Zealand courts are more likely to be competent to come to an informed decision. Such a system would at least be administratively and logistically manageable.

However, under an international exhaustion regime, if an owner of a New Zealand patent sells a patented product anywhere in the world, even in countries where they hold no patent rights, this could restrict the rights flowing from their New Zealand patent.

It is unlikely that a New Zealand court could properly decide, for example, whether a US-based New Zealand patent holder gave permission to Chinese company to manufacture a product for sale in Brazil. Even if they could, it is unlikely a New Zealand defendant in patent infringement proceedings could discover documents as evidence of this permission. Such a regime would be impractical, and would serve only to increase the cost, complexity, and uncertainty of enforcing patents in New Zealand.

Moreover, a savvy patent owner could likely avoid triggering international exhaustion by holding their New Zealand patents in a separate legal entity. For example, if Acme Global Inc's subsidiary, Acme NZ Limited, existed solely to hold the New Zealand patent, then the production of widgets by Acme Global Inc in other countries would not satisfy the requirement that the patent owner gave permission for such sale. The import of products into New Zealand sold by Acme Global Inc in other countries would therefore still infringe the New Zealand patent. Any international exhaustion regime would only limit the rights of unsophisticated patent owners.

Thus, not only would a system of international exhaustion render enforcing patent rights more costly, complex, and uncertain, it would likely not even achieve the aims it ostensibly sets out to achieve.

### **ATTORNEY-GENERAL'S RIGHT TO INTERVENE IN PATENT PROCEEDINGS**

#### **Question P15**

We consider that it may be desirable for the Attorney-General to be able to challenge the grant of a patent, or at least that there seems to be no evidence that this is a problem.

### **Question P16**

We believe “any person” should logically include the Attorney-General, and therefore the Attorney-General would retain the rights without sections 163 and 164. However, to avoid any potential uncertainty, we agree that MBIE’s preferred option is beneficial.

## **AVAILABILITY OF DOCUMENTS RELATING TO 1953 ACT APPLICATIONS**

### **Question P17**

We agree with MBIE’s analysis of the issue and the proposed solution.

## **ABSTRACTS**

### **Question P18**

The 2013 Act should expressly provide that abstracts are not for use in interpreting the description or claims.

Fundamentally, the purpose of an abstract is to allow the public to understand the gist of the invention more easily and quickly than by reading the claims. To aid the public at all, the abstract must therefore add something beyond the strict wording of the claims. There is therefore a public benefit in allowing the applicant the freedom to craft a useful abstract.

However, if an abstract can be used to interpret the claims, an applicant is incentivised to align the abstract and the claims without variation. This leads to an unhelpful abstract which does not serve the public.

The wording of claims is chosen carefully to precisely delimit the scope of protection sought. This is because any imprecision can have significant repercussions in the rights associated with a patent. This leads to clarity for legal purposes, but can be difficult for a reader to understand quickly. For an abstract to have any benefit to the public, the applicant must be free from the same requirements as the claims. That is, the applicant must have certainty that any casual or loose wording in the abstract, which would aid a reader, will not have repercussions in the scope of their rights.

To this end, we support an explicit provision in the 2013 Act mirroring PCT Article 3.3 which provides that the abstract cannot be used to interpret the scope of an invention described or claimed.

## **DESIGNS**

### **Questions D1–D7**

We agree with the proposals, and in general support aligning procedure under the Designs Act with corresponding procedure under the Patents Act.

## **TRADE MARKS**

### **SUMMARY**

Our submissions are in relation to the following trade mark related aspects of the proposed amendment bill:

- Series of trade marks

- Prior continuous use of a trade mark as a ground for overcoming an objection to registration based on a prior registered mark
- Remove requirement for an applicant for revocation or invalidity to be an “aggrieved person”
- Undefended proceedings for revocation of a trade mark registration for non-use
- Use of Artificial Intelligence in IP Offices’ decisions to grant or register IP rights

## **SERIES OF TRADE MARKS**

### **Question T2**

We do not agree with the proposal to remove the ability to register series of trade marks.

In our view the ability to protect a trade mark in variations which do not alter the legal bench-mark for distinctive quality but may affect consumer decisions is valuable. This increases the value of the trade for the owner and decreases the number of applications that would need to otherwise be filed for essentially the same trade mark to create the same position, reducing clutter on the register.

Our preference is a combination of option 1 and option 2: provide more guidance for applicants on the requires for series of trade marks and clarify the criteria for a series of trade marks.

We favour a limitation of what can constitute a series of trade marks to match current standards at IP Australia, namely that the trade marks differ only in respect of one or more of the following:

- statements or representations as to the goods or services in relation to which the trade marks are to be used;
- statements or representations as to number, price, quality or names of places;
- the colour of any part of the trade mark

We favour removal of the reference to “other matters of a non-distinctive character that do not substantially affect the identity of the trade marks”. In practice, the application of this test is inconsistent and whether it is correctly applied in each instance is debatable. Removal of this ambiguous framework would reduce complication at the application stage.

### **Question T1: Other Options:**

Introduction of a shorter term for compliance with formalities would reduce the extent to which series applications are deliberately mis-filed to reserve a position on the register while finalising branding decisions. An earlier preliminary formalities examination with a shorter time-frame for reply is adopted in other jurisdictions internationally, including through the irregularity examination for international registrations under the Madrid Protocol.

## **PRIOR CONTINUOUS USE OF A TRADE MARK AS A GROUND FOR OVERCOMING AN OBJECTION TO REGISTRATION BASED ON A PRIOR REGISTERED MARK**

### **Question T3**

We agree in principal to the explicit inclusion of prior use rights as a special circumstance under section 26. However, if this inclusion was made explicit, we also see need to formally provide for mandatory notification of acceptance to earlier trade mark rights holders.

We note that showing prior use is not necessarily a straightforward reason to allow registration if honest concurrent use is not also able to be provided. For example, prior use may have been



permitted under different circumstances and the market subsequently developed in such a way that registration for the same or expanded goods and services would adversely affect the rights of an incumbent registered trade mark owner.

A mandatory notification provision to invite opposition is in our view a way to balance the potential disadvantage that would be provided by allowing registration supported by prior use alone.

## **REMOVE REQUIREMENT FOR AN APPLICANT FOR REVOCATION OR INVALIDITY TO BE AN “AGGRIEVED PERSON”**

### **Question T9**

We do not agree with the removal of an aggrieved person requirement for revocation or invalidity actions.

We acknowledge that the Act provides for prevention of vexatious applications progressing under s65(2) and s73(3) respectively. However, in order for an action to be found vexatious, a pattern of actions or a deliberate step of bringing of a case without merit must be found. This may require a full hearing to assess. Because the threshold for what constitutes a vexatious filing is potentially high, these sections would not necessarily reduce filings lodged by parties interested simply in interfering with or complicating trade mark ownership.

A quick decision on the point of aggrieved person and meeting the low threshold has the advantage of minimising the potential of frivolous attacks on registered trade marks that would otherwise require a full and considered hearing.

We consider the requirement for an aggrieved person therefore usefully limits action to be filed only where there is a real element of disadvantage to the applicant if a trade mark remains on the register.

## **UNDEFENDED PROCEEDINGS FOR REVOCATION OF A TRADE MARK REGISTRATION FOR NON-USE**

### **Question T12**

We do not consider the current IPONZ practice regarding undefended applications for revocation of a registration for non-use is causing problems.

In our view there is an onus on trade marks owners to look after these property rights. If a trade mark registration is not maintained, then there should be an ability to clear the register of the abandoned listings.

Therefore, we do not favour a reduction in the Commissioner’s requirement to decide a case on the papers filed. As noted above, in our view the aggrieved person requirement should be retained and therefore the Commissioner should assess the removal application at least to ensure that this threshold is met.

A decision with a deadline to appeal allows bona fide rights owners the last chance to defend an attack. In our view this is valuable back-stop for owners who may not receive notification of an application for revocation.

Simply removing a trade mark without issuing a decision doesn’t necessarily extinguish rights at the date elected in the revocation action. This leaves open the question of infringement during the period when the trade mark registration was in force. A decision ensures this point is answered.

## USE OF ARTIFICIAL INTELLIGENCE BY IPONZ

### Question A1

We propose that any AI system should have an error rate no greater than that of human decision-makers before IPONZ can delegate power to make discretionary decisions to it.

### Question A2

We propose that IPONZ should be able to decide which discretionary decisions are delegated to an AI system. However, when a decision is made, it should be made clear whether a decision was made by a human or by an AI system. In addition, since the various registers maintained by IPONZ are prima facie evidence (for example, Patents Act 2013 section 204), it may be necessary to make clear whether entries on these registers made as the result of AI systems are also appropriately prima facie evidence.

### Question A3

We agree there should be a requirement for public consultation before discretionary decisions can be delegated to an AI System.

We note that implementation of artificial intelligence for process driven formalities seems possible and an area where we have no objection. However, decisions relating to trade marks in particular typically involve a mix of objective and subjective analysis and it is difficult to see how this could be effectively performed at a high level by artificial intelligence.

Yours sincerely

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