

2 August 2019

Business Law Team
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
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NEW ZEALAND

SUBMISSIONS:

Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953

Dear Sir/Madam

I hereby present the submission below on behalf of Henry Hughes IP Ltd.

Henry Hughes IP Ltd is a New Zealand based intellectual property firm. We advise local and international clients in relation to all intellectual property rights registered through the intellectual property office of New Zealand. The submissions below are our own and informed by our own experiences of the intellectual property regime in New Zealand, rather than those of any particular client or group of clients.

1 PATENTS

1.1 Divisional Applications

Question P1:

Do you agree with the amendment to the transitional provisions of the Patents Act 2013 proposed by MBIE? If you do not agree, please explain why.

We do not agree that amendment to the transitional provisions of the Patents Act 2013 is necessary (i.e. we prefer option i). We refer to our previous submissions in October 2016 which we reiterate to the extent relevant, and provide additional comments below. However, if a potential amendment is provided we prefer option ii. over option iii as a potential amendment.

Extent of the problem

The discussion document states that there are approximately 774 pending 1953 Act divisional applications as at February 2019. In the 2016 discussion document states that in mid-July 2016 there were 3054 pending 1953 Act applications, 1693 of which were divisional applications. Thus there has been a halving of the number of divisional applications (and a four-fold decrease in the number of 1953 Act applications total) in roughly 2.5 years. It seems likely that this will continue. It seems likely this natural attrition would continue.

The decrease in the number of applications has occurred despite the Office not prioritising examination of 1953 Act divisional applications. We have several cases where it has taken 15 months between a response being filed on a divisional application and receiving an examination report. Following a further response, we have currently waited a further four months (approximately) for further consideration¹. It would seem that the number of divisional applications would decrease more markedly should IPONZ prioritise examination of divisional applications.

IPONZ resources

The discussion document notes that the continued filing of 1953 Act applications places a burden on IPONZ to maintain examiners capable of examining under the Patents Act 1953. The time periods mentioned above bear out that the Intellectual Property Office is struggling to keep up with the burden of examining in a timely manner under both the Patents Act 1953 and Patents Act 2013. Understandably, and in our opinion correctly, applications filed under the Patents Act 2013 (which have shorter and more rigid deadlines) are being prioritised.

Either of the amendments proposed in options ii and iii will create a new deadline by which applicants should file a divisional application. Applicants are likely to file divisional applications before the "specified date" in order to ensure a divisional application proceeds under the Patents Act 1953². This in turn will create a bolus of 1953 Act applications which will need to be examined. The proposals thus substitute a gradual tail off in the number of applications under the Patents Act 1953 with a sudden increase in the number of applications, followed by, potentially, a sudden tail off.

IPONZ would have two options for dealing with such an increase:

- train a number of additional examiners to examine under the Patents Act 1953, or
- continue to examine the applications as existing examiners become available, resulting in a further extension in examination times for 1953 Act applications.

Either option is unpalatable. The former option would require resources be allocated to training a number of examiners who would use that training for a short period. Potentially this would result in a decrease of resources allocated to examination under the Patents Act 2013. The latter option would continue to result in pending patent applications for long periods of time (and potentially longer than those available now).

We further note, that IPONZ will likely need to retain the capability of examining under the provisions of the Patents Act 1953 until 2034 regardless of the options taken, as the provisions for re-examination for any application granted under the Patents Act 1953 will still be those under the Patents Act 1953 (see section 254(d)).

Question P2:

Do you agree with MBIE's assessment of the potential problems caused by "daisy-chaining" of divisional patent applications? If you do not, please explain why you consider that MBIE's assessment is incorrect.

¹ It should be noted that these divisional applications were filed as a result of a unity of invention objection and the applicant is highly unlikely to file any further divisional applications provided these cases are in order for allowance.

² Such a bolus was seen in Australia prior to similar raising of standards when the Raising the Bar Act 2012 came into force.

We broadly agree that the potential problems suggested in the discussion document exist. However, we believe there are advantages to daisy-chaining which encourage innovation and thus of value to the New Zealand economy.

Effective and valuable technology licensing may require an "open" patent application. Various companies, research institutions and universities exist in New Zealand who conduct significant research and development with no intention of manufacturing the product. In many cases a potential licensee may prefer a pending patent application in which they can pursue their desired embodiment (which may sometimes be distinct from what the original applicant intended). Thus there may be value in daisy-chaining, especially if New Zealand is intent on moving from a primary industry and manufacturing based economy.

Another potential value for daisy chaining is the situation described at 83.1 and 83.2 where a competitor attempts to "design around" a patent. In our experience, this situation most often arises where a competitor becomes aware of an innovative product and attempts to copy it. In other words the competitor is attempting to take advantage of the research and development undertaken by the patentee without conducting the research themselves. Clearly a lack of the ability to protect an innovator's effort is an undesirable situation which would be a disincentive to innovation. By maintaining a pending divisional application this is somewhat ameliorated. In this situation it is further of note that the ability to then obtain a patent more directly targeted at a copier's product may mitigate against the need for expensive Court proceedings trying to establish that there is in fact infringement.

A still further reason an applicant may take advantage of daisy chaining is if they become aware of an infringing product or act at an early stage. There is an advantage to obtaining speedy acceptance and grant of the original application so that infringement proceedings can commence. However, the applicant may still be developing their product and not know the ultimate form of claim which will protect their own product. Thus they file a divisional application (and perhaps several divisional applications) until they are in a position to finalise a claim scope.

The three approaches above show that there are good reasons for allowing filing a divisional application in New Zealand beyond merely providing for additional protection for additional inventions. In this regard we disagree that the statements at paragraphs 37-39 are the only reasons for allowing a divisional application.

The above are balancing factors against the specific problems noted by the MBIE. We are aware of daisy-chaining of divisional applications by innovative New Zealand applicant's for all of these reasons.

Question P3:

- ***Do you agree with MBIE's preferred option for dealing with the issue of 'daisy-chained' divisional patent applications?***
- ***If you do not, which option do you prefer? Please explain why you prefer this option.***

We do not agree with MBIE's preferred option, and prefer the status quo with the removal of the current requirement that examination of a divisional application be requested within five years of the filing date of the parent.

We believe that there is no clear indication that daisy-chaining under the Patents Act 2013 (as opposed to under the more lenient provisions and lack of publication of the Patents Act 1953) is a clear issue. This is perhaps because MBIE did not identify the aspects of daisy-chaining which may be of benefit to the New Zealand economy discussed above.

However, if it is considered that daisy-chaining is in fact an issue which needs addressing, then we consider that other options should be considered to encourage applicants to limit its use, without completely restricting its use in important situations.

We note that the already proposed increase in fees for requesting examination may go some way towards achieving this goal, since this will increase the cost of a divisional application. A further possible feature would be to require that all maintenance fees which would have been payable had the divisional application been pending, be paid at filing. For example a divisional application which is filed after the sixth anniversary would need to pay both the filing and examination fees as well as the 4th, 5th and 6th year maintenance fees. In this manner the filing of a divisional application gets more expensive the further from the filing date of the parent they are filed.

Options ii and iii potentially present significant problems, even if one assumes that the only purpose of a divisional application is to provide for protection where there is unity of invention. In this regard we note we have had the opportunity to read in draft the submissions of NZIPA regarding question P3 reiterate the potential problems with options ii and iii set out therein.

Question P4:

If MBIE's preferred option was adopted, do you agree with the 12-month time period proposed? If not, what other time period could be adopted?

The proposed 12 month time period is too short and is likely to put significant pressure on both applicant and IPONZ. We suggest a period of 18 months. This allows six months once the claims of the parent application will have been required to have been accepted to pursue divisional claims.

1.2 Requests for Examination

Question P5:

Do you agree with MBIE's proposed amendments to the provisions relating to requesting examination and the proposed transitional provision? If you do not, please explain why.

We agree with clarifying that for a non-divisional application, the request for examination must be filed by the five year deadline, or that application will be treated as abandoned.

It is implied in the discussion document, but not explicitly stated that the requirement for requesting examination of a divisional application within five years of the filing date of the parent will be removed – for example at 110 it is stated:

“There is no intention to change the current five year time limit for filing requests for examination for applications which are not divisional applications.”

Likewise, if the five year deadline remains it is not clear why the need for the discussion under 1.1.2 about “daisy chaining”. We agree with this as IPONZ workflows now mean it is frequent for a first examination report to issue after the five year deadline for filing a divisional application, potentially resulting in a loss of rights.

We believe that a request for examination on a divisional application should be filed on filing or within five years of the filing date of the parent, whichever is later. This allows for the filing of a divisional application after the five year deadline, provided it is accompanied by a request for examination (thus alleviating the problem set out above), and for the situation where an applicant may wish to pursue early grant of one application, but delay examination of the other. Failure to allow for this latter situation could result in unintended consequences – for example the filing of a divisional application accompanied by a request for examination, but examination not being requested on the parent.

We believe the transitional provisions should allow for a short period to request examination of any applications which are already beyond the five year deadline. While it is undesirable that these applications should remain on the register in perpetuity, it cannot be discounted that these are pending applications which were validly filed and paid for under the Patents Act 2013.

Alternatively, if the transitional provisions do provide, as suggested by MBIE, that all applications for which examination has not been requested after the five year deadline will lapse, then a refund of any fees accepted by IPONZ after the five year deadline would be in order.

1.3 Poisonous priorities and poisonous divisionals

Question P6:

Do you agree that poisonous priority is not likely to be a significant issue in New Zealand? If not please explain why.

We agree that poisonous priority is unlikely to occur frequently in New Zealand. However, this does not mean that the issue is not significant. The issue is only likely to become apparent where there is a case before the Court which relies on the point. In that one case the issue could cause significant economic damage to the applicant and/or other parties.

Question P7:

Do you agree with MBIE's preferred solution to the poisonous divisional issue? If not, please explain why.

We agree that there seems to be a problem with poisonous divisional applications. However we do not agree with the preferred solution and prefer allowing a claim to have multiple priority dates. This would allow for correction of not only the poisonous divisional issue, but also the poisonous priority issue above.

1.4 Multiple priority dates for claims

Question P8:

Do you agree with MBIE's assessment that there is no need to amend the 2013 Act to provide that patent claims can have more than one priority date? If not, please explain why.

We do not agree. As noted above, we consider the opportunity should be taken to address both the poisonous priority issue and the poisonous divisional issue.

We have had the opportunity to read in full the comments of our colleague Michael Caine from Davies Collison Cave and fully agree with all of those comments.

We provide a few further comments:

At 161 the Discussion document notes that no issue arose from the Patents Act 1953. However, it is worth noting that, in the Patents Act 1953 section 61 held that a patent could not be refused or revoked on the basis only of:

“any matter described in the provisional specification or in the specification treated as aforesaid as a provisional specification was used or published at any time after the date of filing of that specification.”

One interpretation of this would be that any disclosure of the matter disclosed in a provisional specification cannot prejudice the right to a patent. It appears as though this section is intended to reflect the intention of Article 4B of the Paris Convention.

Thus assessing example 1.4.3 from the Discussion Document under the Patents Act 1953, if one assumes disclosure D is by the Applicant (a not uncommon situation), then claim C would be allowable.

In contrast, there does not appear to be a similar provision under the Patents Act 2013³, and thus as correctly stated, Claim C would be invalid for lack of novelty. Thus it is not true that the situation under the Patents Act 2013 is exactly the same as the Patents Act 1953. It may be noted that this consequence under the Patents Act 2013 may be at odds with Article 4B of the Paris Convention which requires that the “publication or exploitation of the invention” not be invalidating.

This situation may in part be ameliorated by the ‘grace period’ provisions. However, given that this provision (s9(1)f)) is not retroactive, there are a large number of applications and patents which may be vulnerable.

It is further worth noting that physically splitting the claim into two or more independent claims (C1 and C2) is at odds with IPONZ examination policy regarding conciseness in independent claims (see [here](#) at 33). A logical further consequence is that it would not be possible to have a single dependent claim dependent on both C1 and C2 (because it would only be entitled to the single, latest priority date) and thus Applicant’s would be required to include two full claim sets, one dependent from C1 and one dependent from C2. This seems against the principles of section 39 that the claim set should be concise.

1.5 Extensions of time when hearing is requested

Question P9:

Of the two options presented by MBIE for dealing with extensions of time when hearings are requested, which do you prefer? Why?

We prefer option (ii). Option (i) relies on the discretion of the Commissioner and we have already seen reservations expressed as to the validity of section 230 in these circumstances⁴. Even if the concern is unfounded, certainty for all parties is desirable.

³ Section 57(2) of the Patents Act 2013 is expressed in terms of the priority date of the claim, rather than the disclosure of the priority document.

⁴ See *Biocon Limited and Mylan GmbH* [2018] NZIPOPAT 2 at 48

Question P10:

If an extension of time for putting an application in order is granted when a hearing is requested, and the hearing request is withdrawn before a hearing, what should happen to the application? Do you agree with the approach suggested by MBIE? If not, please explain why.

We agree that if a hearing request is withdrawn, and the issues on which the hearing was raised still exist, the application should be deemed to have been abandoned.

However, we think consideration could be given to a procedure whereby a final amendment is proposed to the Examiner who could then accept the application without need of a hearing. This could save considerable time and cost for both the Applicant and Office as the alternative (if we take the abandonment scenario) would be that the Applicant would need to take the case to a Hearing and propose the amendments there. For example:

An Examiner objects to a claims 1-10 of a claim set, while other claims 11-20 are allowable.

The Applicant requests a hearing on the objection to claims 1-10.

While awaiting a hearing, the Applicant's changes its position and decides to delete claims 1-10.

In this scenario it would be ideal for the amendment to be considered by the Examiner and the application accepted. It would not be efficient for the Applicant to have to proceed to the hearing in order to propose the amendment. We would further note that a similar scenario conceivably exists where a case is awaiting hearing and there is a change in IPONZ practice regarding the objection (perhaps due to a court case which clarifies the matter).

We note that there may be concerns that such a mechanism could be used as a de facto extension of time. However, given the cost of requesting a hearing, this would seem to be an expensive extension of time.

1.6 The utility requirement

Question P11:

Do you consider that the usefulness requirements in the 2013 are unclear? Why?

We consider it relatively clear that the wording of section 10 of the Patents Act 2013 means that the old classical inutility ground no longer exists as a separate ground of invalidity and thus that no amendment should be required. However, forwarding this issue to Parliament, even with a recommendation that the correct interpretation does not require amendment could give some further assurances – as consideration by Parliament may be able to taken into account by a Court in interpreting section 10.

As to why classical inutility can prove problematic, we note that most patent systems no longer have such a requirement. The Supreme Court of Canada recently abolished the ground by the Supreme Court of Canada⁵ and other major jurisdictions such as Europe and the US do not have a similar ground.

⁵ *AstraZeneca Canada Inc v Apotex Inc* 2017 SCC 36

Many international applications are drafted with statements which could be interpreted as promises that invention should fulfil. These promissory statements can be problematic in a classical inutility situation⁶ and thus will often require amendment. Practically, we have found that the amendments which may be necessary to overcome such an issue can be expensive and poorly understood by Examiners. It would be preferable, both for applicants and the Office that such amendments are clearly unnecessary. It is not clear that there is any reason why a ground of classical inutility should be retained to protect the public.

1.7 Swiss-type claims

Question P12:

MBIE considers that the 2013 Act should not be amended to allow EPC2000-type claims. Do you agree? If not, why?

We do not agree and consider that the Act should be amended to allow EPC2000-type claims.

We do not subscribe to the reasoning given by MBIE that EPC2000-type claims are appreciably broader than Swiss-type claims. No evidence, other than a statement of the EPO enlarged Board of Appeal (which notably is not concerned with infringement) is provided that this is the case. It is worth noting that the intention of allowing EPC2000 claims was to match as close as possible the scope of Swiss-type claims.

There are several other reasons for considering allowing EPC2000-type claims:

- To align the claims allowed in New Zealand with those in Europe and the UK. Swiss-type claims are no longer allowable in Europe and the UK. Given that New Zealand has traditionally taken its lead on the allowability and interpretation of Swiss-type claims from Europe, and has little local jurisprudence, this means that New Zealand may have little case law to aid interpretation going forwards.
- To avoid some of the practical difficulties of Swiss-type claims. The combined nature of a Swiss-type claim (use and purpose) is often not well understood especially where claims relate to modes of administration or dosage regimes. This leads to unnecessary minor objections or discussions between attorney and applicant.
- Finally, allowing EPC2000 type claims would provide specific legislative recognition of a second medical use type claim. At present Swiss-type claims are only allowable by virtue of case law of the Court of Appeal in *Pharmaceutical Management Agency Limited v Commissioner of Patents* [2000] 2 NZLR 529. They are thus an uncertain and artificial Court created construct. Legislatively mandating a claim format would provide certainty for applicants and third parties alike.

1.8 Exhaustion of patent rights

Question P13:

Do you agree that the 2013 Act should be amended to explicitly provide for exhaustion of patent rights? If not please explain why.

Question P14:

⁶ See for example *ESCO Corporation v Ronneby Road Pty Ltd* [2016] FCA 588

If the 2013 Act is amended to provide for exhaustion of rights, should the Act provide for international exhaustion? Would there be any disadvantages in providing for international exhaustion?

We consider that an amendment to clarify exhaustions of rights is valuable. However, given the diversity of clients we represent, we prefer not to comment on the extent to which exhaustion of rights should be defined.

1.9 Attorney-General's right to intervene in patent proceedings

Question P15:

The 2013 Act provides that the Attorney-General has the right to challenge the grant of a patent or otherwise intervene in patent proceedings. Do you consider that the Attorney-General should retain this right?

Question P16:

If you consider that the Attorney-General should retain the right to challenge the grant of a patent or otherwise intervene in patent proceedings, do you consider that there should be an explicit provision providing for this (for example along the lines of MBIE's preferred option)? Alternatively, do you consider that the provisions in the 2013 Act that "any person" can apply to oppose or revoke a patent, or apply for re-examination, are sufficient to give the Attorney-General the right to do these things?

We do not consider change to section 163 is necessary. However, we suggest section 164 be repealed as being unnecessary.

1.10 Availability of documents relating to 1953 Act applications

Question P17:

Do you agree that the transitional provisions in the 2013 Act are unclear about the availability of documents relating to 1953 Act applications and patents granted on them?

We agree that the transitional provisions are unclear, and indeed have had prolonged discussions with IPONZ on the matter. We further agree that clarification that section 91 continues to apply to 1953 Act applications should occur.

1.11 Abstracts

Question P18:

Should the 2013 Act be amended to provide that the abstract must not be used to interpret the scope of an invention described or claimed in a complete specification? If so, why?

We consider that the 2013 Act should be amended to clarify that the abstract must not be used to interpret the scope of the invention.

Paragraphs 298 and 299 of the discussion document set out the situation well. The preparation of amendment of abstracts can be a small but significant cost on applicants. In an effort to alleviate some of this IPONZ has recently taken an approach whereby they prepare an amendment to the abstract they would find acceptable and ask the Applicant to agree. However, this still requires a

rigorous review because it is unclear whether anything said in the Abstract will be taken into account in interpretation.

We would note that it is not unheard of for Judges to take account of the abstract during proceedings in other jurisdictions. In *ESCO Corporation v Ronneby Road Pty Ltd* (supra) the Abstract was directly quoted at paragraph 15, but it was made clear that it could not be taken into account for construing the nature of the invention in view of Australian regulation 3.3(6). We consider a similar provision should be introduced in New Zealand.

Additional

Discussion of further amendment

In addition to the amendments above, we suggest consideration be given to amending the provisions of the Patents Regulations 2014 prohibiting identity of claiming between a parent and divisional (regulation 82(b) and (c) since the current interpretation of the words “must not include a claim or claims for substantially the same matter *as accepted*” by IPONZ is creating issues.

The approach taken by the Office is that the assessment is made at the point of acceptance of one of the applications. This means that neither the withdrawal of an accepted or granted patent, nor the amendment of the claims of the parent can address an objection against the still pending application. We do not agree with this interpretation, but nevertheless suggest the regulation could be clarified.

The current interpretation does not appear to have been the intention. In the minutes of the Technical Focus Group dated 28 March 2018, in discussing these regulations it was stated:

“Query was raised whether the change of regulations on parent–divisional overlap to an acceptance criteria meant that an objection could be raised for overlap with an application that had been accepted but was subsequently abandoned or lapsed. IPONZ is not taking that approach.”

Our own notes from the meeting support this minute.

Moreover, the provisions, inserted on 5 April 2018 by regulation 9 of the Patents Amendment Regulations 2018, were intended to be uncontroversial. The amendment was necessitated by the original provisions of regulation 52(3) which made similar provisions a requirement of filing which had unintended consequences. However, at no stage was it suggested there should be a change to the approach taken by IPONZ.

Both IPONZ practice under the Patents Act 1953 and under the Patents Act 2013 at the time (in light of the unworkability of reg. 52(3) allowed that a “parent-divisional overlap” objection could be addressed by withdrawing the earlier accepted application/patent, or by amending the claims of the already accepted application to remove the overlap.

We would note that allowing the objection to be addressed by withdrawing or amending the acceptance application achieves the intention of the provision, which is to prevent an applicant from having two patents for the same subject matter, thereby placing a greater onus on a possible infringer.

Moreover, restricting the provision may result in greater harm to applicants, for example where the still pending application cannot be amended to excise any overlap.

It also creates absurd situations, such as where two divisional applications are filed from a first parent application. The overlap between the two divisional applications, which may arise as an objection under section 14 as being "generally inconvenient" can be addressed by amendment of either application regardless of the status of each application. In contrast, the amendments available to deal with the exact same overlap issue between the parent and one of the divisional applications would be restricted once either case has been accepted.

We strongly consider consideration should be given to clarifying regulation 82(2) and (3) so that the current interpretation taken by IPONZ is clearly shown to be incorrect.

2 TRADE MARKS

2.1 Series of Trade Marks

Question T1: Are there any other options in relation to series of trade marks that MBIE should consider?

No.

Question T2: MBIE proposes that the Trade Marks Act be amended to remove the ability to register series of trade marks. Do you agree with this proposal? If not, please explain why.

We do not agree with the proposal to remove the ability to register series of trade marks. It is not uncommon for a trade mark owner to have a range of colour-ways for their trade mark to signify different products or uses. We consider that the ability to register a trade mark as a series should be retained.

If an amendment is to be made, we would support option (ii) clarifying the criteria for a series of trade marks by deleting the words "other matters of a non-distinctive character that do not substantially affect the identity of the trade marks" from the definition of series of trade marks.

2.2 Prior continuous use to overcome a conflicting registration

Question T3: Should the Trade Marks Act be amended to expressly provide for the Commissioner of Trade Marks to consider the circumstances of prior continuous use as a ground to overcome the citation of a trade mark registration with an earlier priority date? If not, please explain why not.

Yes.

We would support an amendment along the lines of the same approach as set out in s 44(4) of The Australian Act to provide for registration on the basis of prior continuous use.

The true owner of a trade mark is the first party to first use or register a trade mark. Therefore an applicant with credible evidence of prior use should be able to rely on that use to overcome the citation of a later filed trade mark.

2.3 Require that specifications be clear

Question T4: Do you agree with MBIE's proposal that the Trade Marks Act be amended to specifically require specifications to be clear? If not, please explain why.

Yes.

The inability of IPONZ to object to unclear specifications for IRDNZs has led to vague and even incomprehensible specifications for IRDNZs.

Every step should be taken to remove any inconsistencies on how NZ national and IRDNZs are examined.

2.4 Mandate applicants use IPONZ's pick list of goods and services for Search and Preliminary Advice applications

Question T5: Do you agree with MBIE's proposal to require the IPONZ picklist to be used for S&PA applications? If not, please explain why.

No.

Requiring applicants to use IPONZ's picklist of goods and services would be restrictive and would exclude small businesses with innovative product(s) or services from using the Search and Preliminary Advice process.

The IPONZ picklist of goods and services does not cover all relevant goods and services but only those that have been approved. Therefore, it will not specifically cover new or emerging products.

2.5 Clarify scope of acceptable memoranda

Question T6: What additional information, if any, about a registered trade mark should be permitted to be entered on the register by way of a memorandum? If additional information should be permitted, please explain why is it important, or otherwise necessary, for the public to know this information? Should the Trade Marks Act be amended to require trade mark owners to provide this information?

We consider that it should be mandatory for any security interest to be recorded on the Register. Third Parties should be able to rely upon the Register to know about any restrictions, limitations or prior interests on the trade mark. While security interests can be registered on the Personal Property Security Register established under the Personal Property Securities Act 1999 parties should not be expected to undertake further searches to obtain this information when it could be clearly stated on the Trade Marks Register, in the same way a mortgage is recorded on the certificate of title for a property.

We consider that a trade mark owner should be able to enter a licensee on the Register. This is another right that can impact on third parties be they prospective assignee or a party considering seeking the revocation of the registration.

Question T7: What would be the impact on trade mark owners and the public if the Trade Marks Act was amended to limit the use of memoranda to providing additional information about the nature and scope of the rights associated with the registration of the trade mark concerned?

We consider limiting the use of memoranda to providing additional information about the nature and scope of the rights associated with the registration of the trade mark concerned is unduly narrow as it does not include memoranda the knowledge of which may to the benefit of other trade mark owners and the public.

2.6 False claims of ownership as a ground for invalidity proceedings

Question T8: Do you agree with MBIE's proposal that the Trade Marks Act should be amended to make it explicit that a registration can be declared invalid if the registered owner is not the true owner of the mark? If not, please explain why.

Yes.

This is a relevant ground of invalidity that parties are likely to wish to rely upon. The High Court has accepted can be the basis of the invalidity action. Given the potential tension in the current wording of the Act and the High Court's interpretation, an amendment is required.

2.7 Confirm that section 17(1)(b) covers activity which is contrary to law other than the Trade Marks Act

Question T9: Do you agree that the Trade Marks Act should be amended to clarify that s17(1)(b) only applies to activities that are contrary to New Zealand laws other than the Trade Marks Act? If not, please explain why.

Such an amendment should not be necessary. The Commissioner has already ruled that the provision does not encompass the Trade Marks Act.

It should be self-evident that "contrary to law" refers to provisions external to the Trade Marks Act.

When considering whether the pleadings comply with the Trade Marks Act and Regulations, the Hearings Office should rule that an alleged ground of "contrary to law" that refers to the Trade Marks Act is not valid and is struck out.

2.8 Remove requirement that only an "aggrieved person" can apply to revoke or invalidate a registration

Question T9: Do you agree with MBIE's proposal that the Trade Marks Act should be amended to remove the requirement that only an "aggrieved person" can apply to revoke or invalidate a registration? If not, please explain why.

Yes

This term has been given a broad and liberal interpretation and in the usual course of events is not a high hurdle for the applicant to overcome. The reason for inclusion of this requirement was to discourage busy bodies. In reality the requirements and costs of pursuing such proceedings is sufficient to discourage such busy bodies.

The aggrieved person status is not required for an opposition, and is not required for revocation or invalidity proceedings in Australia, Singapore or the UK.

There are separate, and to date underutilized, provisions in the Act that allows the Commissioner or a Court to refuse applications for revocation or invalidity that are vexatious.

We consider there are sufficient safeguards in place that requiring the applicant to prove that it has locus standi (standing) to bring the proceedings is not required.

The removal of this requirement will remove the need for the applicant to file evidence and make submissions on this point. It will also bring New Zealand's law in line with other of our Common Law cousins.

2.9 Partial refusals for national trade mark applications

Question T10: Do you consider that the different approaches to partial refusals for national and international applications are a problem? If so, please explain why.

Yes.

For an applicant happy to wait out the examination response time frame, the applicant of the IRDNZ can obtain acceptance without having to respond whereas the applicant of the NZ national application has to incur costs to respond.

Question T11 Do you agree with the proposal that the Trade Marks Act be amended to provide for the same approach to partial refusals for both national applications and international registrations? If not, why?

Yes.

Every step should be taken to remove any inconsistencies on how NZ national and IRDNZs are examined.

2.10 Undefended non-use revocation proceedings

Question T12: Do you consider that the current IPONZ practice regarding undefended applications for revocation of a registration for non-use is causing any problems? If so, please explain why.

Yes.

The finalization of undefended non-use revocation proceedings is unduly delayed. As well as the time frame for the Commissioner to consider and decide on the application, the registration is not removed until the appeal period (20 working days) passes.

Question T13: If you consider that the current IPONZ practice regarding undefended applications for revocation of a registration for non-use is a problem, what alternative approaches could be used? Please explain why.

Given the strong rationale that unused trade marks should be removed from the Register, we consider that a move to provide for the automatic revocation of the registration the subject of an undefended non-use proceedings is appropriate. This would bring New Zealand practice in line with Australia's practice.

However, some consideration would need to be given to any necessary safeguards for an owner simply missing a deadline rather than deciding not to defend the proceedings. Under the Trade Marks Act, the Commissioner cannot grant an extension of time if the deadline for seeking the extension has passed.

By contrast, the Australian Act specifically provides for an extension of time and filing of the notice of opposition (similar to the NZ Counter-statement) even after the registration has been removed. While this provision adds a degree of uncertainty and therefore mirroring this clause may not be the best outcome. But it does show that it is possible to provide a safeguard.

3 DESIGNS

We agree with the proposals suggested under 3.1-3.6.

4 ARTIFICIAL INTELLIGENCE

Our submissions in relation to these questions are given with reference to issues discussed in the comprehensive 2019 report published at <https://www.cs.otago.ac.nz/research/ai/AI-Law/NZLF%20report.pdf> ("The 2019 Report").

Question A2 is addressed first, as our position on this question informs our position on question A1.

Question A2:

Who should decide what discretionary decisions IPONZ can delegate to an AI system?

Theoretically, a future AI system will be more capable of making a given complex discretionary system than a human ("better-than-human" system for the domain of interest): for example, whether a patent should be granted for an invention. Thus, a "hard line" that complex discretionary decisions should not be made by an AI system will one day be outpaced by technology.

It is important that the person weighing criteria for an AI to make complex discretionary decisions should have both technical expertise, and expertise in public law issues and IP issues. The 2019 report emphasises a number of concerns regarding use of AI by Government agencies. These include:

- *Improper delegation and fettering discretion*

Even if the legislation is amended to give the Commissioner the power to delegate to an AI system, improper delegation can still occur if a decision-maker has simply rubberstamped the advice of others, e.g. of an AI system, without coming to an independent position of the matter themselves. This could occur if an examiner reviewing decisions made by an AI system becomes complacent and places trust in the AI system rather than in their own training. Another way of describing unthinking reliance on an AI system is an illegal "fettering" of the exercise of a discretionary power.

- *Transparency*

The concept of transparency in Government is seen as desirable. For example, the stated purpose of the Official Information Act 1982 is to increase progressively the availability of official information to the people of New Zealand in order to enhance respect for the law and to promote the good government of New Zealand. It is in the public interest that the Commissioner be able to explain how decisions are made. For an AI system, its details of operation, including what data it has been trained on, and the logic by which it operates, are technical details which should be transparent to the public. MBIE suggests

- public consultation or notification before a decision is delegated to an AI system,
- publication by IPONZ of statistics relating to decisions made by an AI system, including how often decisions are challenged and whether those challenges are upheld,
- publication of the tasks which an AI system is performing.

These suggestions are at such a level of generality that the AI system is seen as a "black box". MBIE do not suggest that there should be any transparency regarding the technical aspects of the AI system. Technical transparency (explainability) is desirable, but the technical aspects of AI can be very difficult to understand, particularly for deep learning systems, which come up with their own methods of decision making. In addition, where proprietary code is used (for example, code protected by trade secrets), disclosure of the code may be a breach of IP rights.

- *Algorithmic bias*

With the increased use of AI systems in all areas of business, the issue of algorithmic bias has become a major concern. Extrinsic bias can arise from poor quality training data, including sampling bias (selection bias), and bias imported into the data from humans. Intrinsic bias arises when the algorithm is being built.

Bias is an issue for natural justice, and is clearly of concern to users of the IP system.

Thus, in answer to question A2, this person should be a person with expertise in AI systems, public law issues, and IP laws. This is because the question of whether the AI system is up to the task depends on its design, training data, feedback, and technical details, as well as the complexity of the decision in question; and consequences of delegating the decision need to be weighed against public policy factors and consequences. For example, a simple discretionary decision such as whether a Notice of Entitlement fulfils the requirements of Sec 73, Patents Act 2013 may require a much smaller set of training data, and have fewer unforeseen consequences, than a complex discretionary decision such as whether a trade mark is registrable in New Zealand.

Such a person would more likely be a committee, or more suitably, an independent AI regulatory agency in consultation with IP expert(s). The 2019 report's authors' main recommendation, is that the New Zealand Government create an independent regulatory agency to oversee use of AI in Government. Such an agency could build expertise in AI-related issues which arise in all areas of law, not just in intellectual property regulation; for example, implications in relation to privacy, data protection, and ethics. In terms of use of AI by IPONZ, such an agency could function in a similar way to the Maori Advisory Committees, which provide expert advice to the Commissioner.

Question A1:

What criteria should an AI system have to meet before IPONZ can delegate power to make discretionary decisions to it?

Question A1 asks about criteria for an AI system to meet. Any such criteria must have regard to the given discretionary decision the Commissioner is considering delegating to the given AI system. It must be remembered that AI systems can vastly differ from one another.

Some criteria suggested by MBIE for delegating a decision to an AI system are

- i. public consultation or notification before a decision is delegated to an AI system;
- ii. a level of confidence in the AI system's ability to perform a task. (paragraph 17)

Only the second of these weighs both the AI system in question and the particular task.

A "level of confidence" should also take into account the consequences of an incorrect decision by the AI system. For example, IP Australia's "Patent Auto Classifier" had at 96% accuracy for classifying chemistry patents and an 88% accuracy for classifying mechanical patents. An accuracy of 88%, or even 96%, would be unacceptable for a decision of greater consequence, such as whether to grant an IP right on a patent application. Thus, an acceptable "level of confidence" will vary according to the gravity of the decision and would not be a "one-size-fits-all" percentage confidence level. (Source: [https://www.wipo.int/meetings/en/details.jsp?meeting_id=46586])

We do not have any suggestions of criteria, but submit that these should be set by the committee/agency discussed in response to question A2, who are experts in AI systems and in IP,

with regard to the given discretionary decision and the given AI system. This avoids the need to codify the criteria in IP legislation.

Note that an AI system already approved for one use (i.e. one type of decision), may not be adequate for another use. The [2019 report](#) recommends that new uses should be scrutinised, not just new algorithms.

Question A3:

Should there be a requirement for public consultation before discretionary decisions can be delegated to an AI system?

As above, we consider that the correct approach will be to assess the proposed AI system in the context of the discretionary decision to be made, not just the discretionary decision.

The public do not have the expertise to make this assessment. Rather than public consultation, we recommend that in the interests of enhancing respect for the law and consistent with the purpose of the Official Information Act 1982, that transparency with regard to at least some details of the AI systems used be provided. These details could include

- The type of AI system
- The decisions being taken by each AI system, with reference to appropriate sections of the statute(s)
- The training data used, and whether it is data from New Zealand IP rights or other sources (e.g. WIPO)
- Whether feedback data is provided to the AI system, e.g. if "audits" are conducted, is the AI given the opportunity to "learn" from corrected decisions?

We also recommend that AI systems used be subject to review, including audits by humans, and a right of appeal to the person discussed in question A2.

Thank you for the opportunity to have our submissions considered. In case of any questions, please do not hesitate to contact the undersigned.

Yours faithfully
HENRY HUGHES IP
Australia and New Zealand

David Nowak
Director