

8 August 2019

By email
ip.policy@mbie.govt.nz

Business Law
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140

Dear MBIE

Re: IPTA's submissions in response to the Discussion Paper issued by MBIE in May 2019 on proposed Intellectual Property Laws Amendment Bill encompassing proposed amendments to the Patents Act 2013, Trade Marks Act 2002, and Designs Act 1953

We refer to the Discussion Paper issued by the Ministry of Business Innovation and Employment (MBIE) regarding the proposed Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953, and on behalf of the Institute of Patent and Trade Mark Attorneys of Australia (IPTA) provide the following submissions.

About IPTA

IPTA is a voluntary organization representing registered patent attorneys, registered trade marks attorneys and student members in the process of qualifying for registration as a patent or trade marks attorney in Australia. The membership of IPTA includes over 87% of registered patent attorneys located in Australia and it is believed that its members make up more than 90% of registered patent attorneys in active practice in Australia. The membership of IPTA includes registered patent attorneys in private practice as well as patent attorneys working in industry, universities, research institutes and others that practice as barristers. IPTA members represent large local and foreign corporations, SMEs, universities, research institutes and individual inventors. Many of IPTA's registered patent attorneys are also registered as patent attorneys in New Zealand (approximately 500) under the Trans-Tasman Mutual Recognition Arrangement (TTMRA).

IPTA members work with New Zealand and Australian clients to assist them in developing strategies for protecting and enforcing their intellectual property rights in New Zealand, Australia and overseas, and also represent overseas individuals and companies in their efforts to obtain and enforce their intellectual property rights in Australia and New Zealand. IPTA members routinely act for businesses, entities and individuals seeking to obtain and enforce patent rights and third parties wishing to avoid and challenge enforcement and grant of patent rights, which in many circumstances are the same entities seeking to obtain and enforce patent rights. In view of this, it is considered that IPTA provides a balanced position on how proposed changes to divisional applications may impact both patent applicants and third parties.

1. Patents Act 2013

IPTA supports a patent system that strikes a balance between patent applicants and the public good, and one which encourages innovation and rewards public dissemination of technology developments, as

opposed to retention of trade secrets. A simple, effective and flexible patent system is particularly important to small and medium sized local enterprises including start-ups, since it enables the generation of assets and drives investment, development in high value products, creation of jobs, growth in innovative industries, and enables local businesses to compete internationally.

1.1 DIVISIONAL PATENT APPLICATIONS

MBIE proposes to change the divisional filing practice as follows:

- MBIE proposes an Option (iii) to amend the transitional provisions to provide that, after a specified date, divisional applications made from a parent application that is, or is treated as, a 1953 Act application under section 258 of the 2013 Act, will be examined under the novelty, inventive step and support requirements of the 2013 Act.
- MBIE proposes an Option (iii) to amend the 2013 Act to provide that all divisional patent applications divided from an original parent application be determined by a specified date.

IPTA understands that submissions for the present consultation may address more than the specific questions being proposed. IPTA was an active participant in MBIE's 2016 public consultation regarding possible changes to the transitional provisions for divisional applications under section 258 of the New Zealand Patents Act 2013. We refer MBIE to IPTA's previous submissions filed on 31 October 2016 (provided in **Appendix 2**). IPTA emphasises that its overall position has not changed. To this end, IPTA opposes any measures that may result in a substantial reduction of rights presently afforded to applicants under the transitional provisions of the 2013 Act.

IPTA would only support the examination of divisional applications filed from the 1953 Act ("Old Act") applications to proceed under the novelty, inventive step and support requirements of the 2013 Act ("New Act") if problems associated with divisional applications under the 2013 Act are addressed, and flexibility is maintained for filing divisional applications, and in particular for circumstances where a new unity objection is raised during examination of a parent or divisional application.

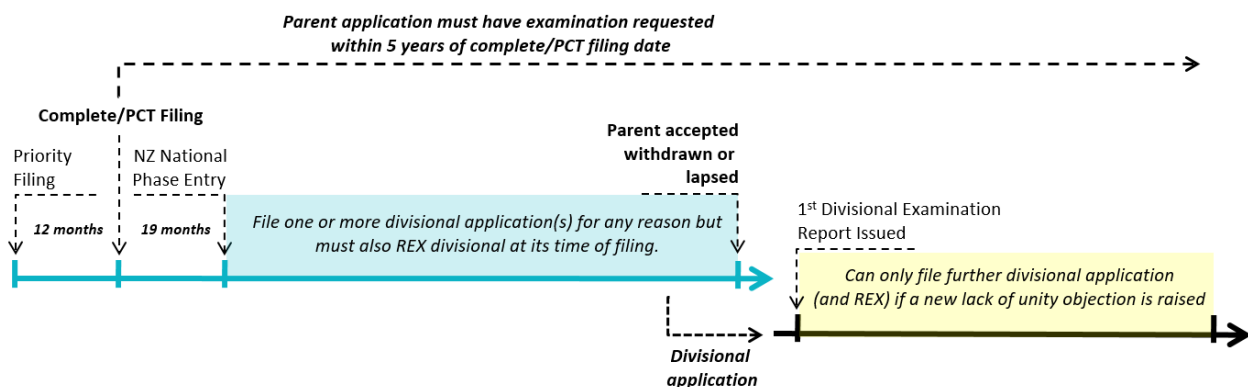
Before providing answers to questions **P1** to **P4**, IPTA wishes to make the general comment that its members, being primarily Trans-Tasman Patent Attorneys, generally practise across both Australia and New Zealand. Feedback indicates that members view the Trans-Tasman divisional practice as one of the principal differences between our two jurisdictions. At the current date, Australian divisional practice is generally considered to be simple and effective. On the other hand, New Zealand divisional practice is considered unduly difficult and restrictive (even without the amendments currently proposed by MBIE). IPTA respectfully considers that for the overall attractiveness of New Zealand as a patent filing destination (i.e., attracting local and foreign investment in technology development and commercialisation in New Zealand), MBIE may wish to simplify rather than further complicate the system. IPTA believes that Australia's divisional filing practice strikes an appropriate balance between the interests of applicants, third parties and the government, that is not provided for by New Zealand's current divisional filing practice under the 2013 Act.

IPTA is of the opinion that simpler and effective divisional practices, such as those in Australia, outweigh any problems associated with strategic use of divisionals such as "daisy chaining" and extending examination time frames. However, if MBIE considers that the divisional practice must be changed to restrict divisionals being used for daisy chaining and extending examination time frames, then IPTA would strongly recommend a modification to MBIE's preferred Option (iii). IPTA considers that following a modified option shown in Figure 1, below, would strike a minimum essential balance between addressing MBIE's concerns while retaining some flexibility for patent applicants. In particular, such modified Option (iii) would be able to

legitimately address unity objections that are now more regularly arising with regard to divisional applications as a result of the higher examination requirements under the 2013 Act. IPTA’s proposed modified Option would require:

- a request for examination (REX) be lodged at the time of filing a divisional application;
- the 5 year deadline from complete filing date for requesting examination would only apply to an originating parent application;
- one or more divisional applications may be filed for any reason at any time before acceptance, withdrawal or lapsing of the originating parent application;
- a divisional may only be filed from a divisional (i.e. after acceptance, lapsing or withdrawal of the parent) if a unity objection is raised by an examiner on that divisional.

Figure 1: IPTA’s Proposed Modified Divisional Practice



IPTA also wishes to comment on the following points arising from the Discussion Paper.

In paragraphs 59-62 and 68, MBIE considers that there would be no disadvantages to applicants in having divisional applications filed under the 1953 Act examined under the 2013 Act. However, IPTA considers the 5 year deadline for requesting examination unfairly disadvantages applicants, particularly in circumstances where unity objections arise during examination. IPTA also highlights that the 2013 Act presents a poisonous priority issue for divisionals, which we comment on further below in Section 1.3. In contrast to MBIE, IPTA believes that the rights of applicants are significantly disadvantaged by any proposed change that would have a divisional application of a 1953 Act parent examined under the full procedure and grounds of the 2013 Act. It appears from paragraphs 65-68 that MBIE has acknowledged this prejudicial aspect and proposes to have divisional applications filed from 1953 Act parent applications examined under the new Act grounds of novelty, inventive step and support only. For example, the priority test and examination time frame and procedure would otherwise operate as per the old 1953 Act. If MBIE consider a change had to be made, IPTA would generally support such an approach for divisional applications filed from 1953 Act parent 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.

IPTA opposes any measures that may result in a substantial reduction of any rights presently afforded to applicants under the transitional provisions of the 2013 Act. IPTA would only support the examination of divisional applications filed from 1953 Act applications to occur under the novelty, inventive step and support requirements of the new 2013 Act if flexibility was maintained for filing divisional applications, and in particular for circumstances where a new unity objection was raised during examination of a parent or divisional application.

In paragraphs 62-64 of the Discussion Paper, MBIE articulates that its preferred solution to “the problem” (paragraphs 47-48 of the Discussion Paper) is to amend the transitional provisions of the 2013 Act to provide that: where a 1953 Act divisional patent application is filed after a specified date, the invention claimed in the 1953 Act divisional patent application must meet the novelty, inventive step and support requirements of the 2013 Act in order to be accepted for grant.

In its 2016 submission, IPTA identified several problems with divisional applications filed under the 2013 Act (see Question 3, IPTA’s 2016 submission, **Appendix 2**). In summary, these problems were identified:

1. The 5-year bar for requesting examination under regulation 71 of the Patents Regulations 2014 unduly restricts the genuine practice of patent applicants and should be removed;
2. Poisonous priority (whole of contents novelty self-collision between parent/divisional) should be addressed by at least allowing partial/multiple priorities for individual claims;
3. Strictness of double patenting (any overlap in claim scope between parent/divisional) is contrary to the original policy intent; and
4. It should be clarified in the regulations that double patenting is not something to be assessed at the time of filing a divisional application.

Of these, only issue #4 has been progressed at MBIE/IPONZ level in the interim, and even the manner in which this issue has been addressed has caused additional problems. In this regard, the new “double-patenting” assessment to be conducted at acceptance is not a double patenting assessment at all, but a “double acceptance” assessment which finds no counterpart in the patent laws of other countries, and also does not appear to have any sound policy basis for its introduction.

Accordingly, IPTA reiterates its previous position that unless the problems associated with divisional applications under the New Act are addressed, IPTA strongly prefers MBIE’s Option (i) (no change) as it provides the only rational and fair solution available. Alternatively, it is considered that any implementation of Option (iii) must first address all the problems associated with divisional applications under the New Act, namely: removal of the 5-year statutory bar for requesting examination that unduly restricts the genuine practice of patent applicants in pursuing patent protection; addressing poisonous priority (whole of contents novelty self-collision between parent/divisional) by allowing partial/multiple priorities for individual claims; and addressing an overly strict interpretation around double patenting (any overlap in claim scope between parent/divisional) that is contrary to original policy intent. It appears from paragraphs 65-68 that MBIE has acknowledged this prejudicial aspect and proposes a modified form of its Option (iii) to have divisional applications of an old 1953 Act parents examined under the new Act grounds of novelty, inventive step and support only. For example, the priority test and examination time frame and procedure would otherwise operate as per the old 1953 Act. If MBIE consider a change has to be made, IPTA would generally support such an approach for divisional applications filed from 1953 Act parent applications.

As noted in IPTA’s 2016 submission, there is a very strong argument that it would be unjust to retrospectively apply higher specification support requirements to patent specifications that were prepared and filed on the basis of the lower standards of the 1953 Act – in particular, for life sciences technologies where such differences in support standards have a significantly greater impact. In some cases, this may result in situations where a patent application that would have been found valid under the Old Act, *for which it was drafted*, is found invalid under the New Act. IPTA reiterates that there needs to be careful consideration of the significant impact on patent applicants who in many cases could not have anticipated the change in the law at the filing date of their applications.

If Option (iii) is implemented, it will be important to ensure that the 1953 Act-based priority test, namely fair basis, will apply to divisionals that have a parent subject to the 1953 Act. If the priority test applied to a divisional is different to the priority test for its parent, then a new form of poisonous priority could arise.

Option (ii) (amending the transitional provisions to provide that, after a specified date, it would not be possible to make divisional applications from a parent patent application that is, or is treated as, a 1953 Act application) does not meet New Zealand's international obligations and unduly affects the rights of patent applicants; IPTA remains firmly opposed to such an option until the problems associated with the New Act divisional practice are fully addressed.

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.

IPTA does not consider there has been any evidence put forward by MBIE to indicate there is any significant problems associated with daisy chaining under the current practice. MBIE's concern with daisy chaining is associated with the divisional filing practice under the 1953 Act and the current transitional provisions. Proposed amendment to raise the patentability threshold of divisional applications (by examining them under the higher thresholds of the 2013 Act) should essentially address all concerns. However, IPTA considers a possible restriction to divisional filing practice could be introduced to further address MBIE's concerns while still enabling the applicant some minimum limited flexibility as indicated above in Figure 1, but only if the divisional procedure for the 2013 Act is amended to address the above-identified problems.

Allowing some flexibility in the divisional filing practice supports local enterprises (SMEs), enables applicants to freely and safely pursue legitimate inventions filed and published in good faith. Moreover, such minimum flexibility that IPTA is encouraging herein would remove pressure from the hearings team under the likely increased numbers of applications proceeding through to examination hearings because of more restrictive practices: A restrictive divisional practice is likely to force a significant increase in the requirements for examination hearings, which would require a significant increase in IPONZ's resources in its examination and hearings team. IPTA's above-proposed modified Option (iii) would strike a better balance in preventing *de facto* extensions of time and unfettered daisy chaining, while retaining legitimate flexibility for applicants and mitigating significant increases in IPONZ resources for examination and hearings teams.

In paragraphs 84-89 of the Discussion Paper, MBIE summarises the "problem" caused by an applicant's ability to "daisy chain" divisional patent applications as allowing a *de facto* monopoly over ungranted patent rights, which in turn, affects third parties legitimately seeking to innovate within the space at issue.

MBIE identifies three principal reasons why an applicant may wish to "daisy chain" one or more divisional applications:

1. Unity of invention issues emanating from:
 - a) An applicant intentionally or knowingly describing two or more inventions within an original patent application;
 - b) An Examiner identifying a plurality of inventions, which the Applicant cannot address by argument or amendment (see, also, Article 4G of the Paris Convention);
2. Difficulties in meeting the 12-month acceptance deadline imposed by a first examination report – in such circumstances, filing a whole-of-contents divisional application effectively re-starts the clock and removes any immediate time pressure; and
3. Strategic reasons – use of the facility to obtain commercial advantages over competitors.

It is however clear from MBIE’s assessment that reason #3 is considered to be the most important of the above. MBIE’s assessment concentrates strongly on reason #3, and IPTA infers the MBIE is primarily interested in blocking strategic daisy chaining when conducted for commercially-spurious reasons – for instance, an Applicant, aware that a patent may never be granted on an application, nonetheless daisy chains a series of divisional applications over many years, thereby creating uncertainty within the market as to whether a patent may eventually be granted.

IPTA understands MBIE’s preference to shut down any such activity – or indeed, any facility enabling such practices – but cautions that it should not be prioritised over reasons #1 and #2, which represent genuine and necessary uses of divisional patent applications.

IPTA reiterates the position articulated in its 2016 submission (**Appendix 2**, Question 1). As required under international obligations (e.g., Paris Convention Article 4G), it has been a long established and legitimate practice in New Zealand (and essentially in all other countries) to provide the flexibility of filing a divisional application so that a patent applicant can maintain rights over the subject matter of its application whilst particular claims are being examined and pursued for grant.

IPTA considers the current and proposed divisional filing practice in New Zealand under the 2013 Act is inconsistent with the Paris Convention, in particular with circumstances where newly cited prior art or examination results in a unity objection arising after the 5 year deadline from the complete filing date for requesting examination. The text of Article 4G of the Paris Convention reads (IPTA emphasis added in bold):

*(1) If the **examination reveals** that an application for a patent contains more than one invention, the applicant may divide the application into a certain number of divisional applications and preserve as the date of each the date of the initial application and the benefit of the right of priority, if any.*

In prioritising reason #3 over reasons #1 and #2, MBIE has proposed a practice that will interfere with completely legitimate uses of divisional applications. However, IPTA emphasises that patent specifications may legitimately describe one or more inventions, and the practice of filing divisional applications is routinely permitted at least at some stage during prosecution of a parent application in all other main jurisdictions. For instance, examination identifying new prior art may impact such that unity is lost for even a “single invention” specification; the resultant plurality of inventions should be legitimately allowed to be pursued in one or more divisional application/s without indiscriminate time restriction. New prior art can be identified and cited by an Examiner at any stage during examination, and therefore an arbitrary bar to filing divisional applications in such circumstances jeopardises the fundamental right of a patent applicant in pursuing and publicly disclosing its inventions via the patent system.

The filing of divisional applications provides a legitimate and genuine route for applicants to protect their inventions. Such a facility assumes even greater importance when the patentability thresholds have been raised significantly under the New Act.

IPTA would also highlight that, for many local businesses and start-ups seeking patent protection for their technology, the availability of funds is a significant issue. It is clearly undesirable that such applicants may either have to incur additional costs at an early stage (to gain protection for all aspects of their technology by filing multiple divisional applications to anticipate potential examination objections, which may or may not arise), or otherwise have to give up the prospect of being able to obtain protection for their inventions.

IPTA concedes that the facility to daisy chain divisionals indefinitely could be utilized by a small minority, but that this is far outweighed by the benefits of a legitimate and essential divisional filing practice required by

all genuine innovators and patent applicants. Indeed, if reason #3 is MBIE’s primary motivator for identifying daisy chaining as a “problem”, then a potential better solution may be for the Commissioner to require sworn declaratory evidence that an applicant’s reasons for proceeding beyond, say, a fourth generation divisional are genuine, or to impose additional fees for each subsequent generation (e.g., as in Europe). Another possibility would be to introduce a process similar to that sometimes adopted by IP Australia (sometimes referred to as a “case management” process) in circumstances where an applicant does not appear to be actively seeking allowance of claims, but instead keeps refiling the application as a divisional. Where this is identified, the Commissioner can put the applicant on notice, soon after filing the later generation divisional application, that the application will be refused if a genuine and complete response is not filed within a shortened time frame, normally two months.

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.

MBIE’s proposed solution is set forth in paragraph 91 of the Discussion Paper. MBIE had identified three potential options to deal with the potential problems posed by the daisy chaining of divisional patent applications:

- i. No change to the 2013 Act provisions relating to divisional applications (the status quo); or
- ii. Amend the 2013 Act to provide that divisional applications cannot be divided out of an application that is itself a divisional application (i.e. prohibit “daisy chaining”); or
- iii. Amend the 2013 Act to provide that the fate of all divisional applications divided from a particular original parent application must be determined by a specified date.

MBIE’s preferred route is Option iii. IPTA’s respectful position is that Option iii is unnecessarily convoluted and ultimately unworkable. With Option ii also amounting to a substantial diminution of an applicant’s rights, Option i (*status quo*) is strongly preferred by IPTA.

As an initial observation, IPTA reiterates the remaining three primary problems with New Zealand divisional practice under the 2013 Act (as noted in IPTA’s 2016 submission, **Appendix 2**). In summary, these problems were identified as being:

- 1. The 5-year bar for requesting examination;
- 2. Poisonous priority (whole of contents novelty self-collision between parent/divisional); and
- 3. Strictness of the double patenting assessment, which is now actually a double acceptance assessment.

IPTA’s considered position is that these three issues make current New Zealand divisional practice unduly complicated and restrictive. Until such time as MBIE moves to simplify New Zealand divisional practice (e.g., by addressing any one or more of the above issues), IPTA strongly opposes any further complication of New Zealand divisional practice.

To this end, applying the acceptance deadline of a parent application to that of any number of divisional applications is procedurally unworkable. Aside from the additional stresses it would impose upon attorneys and applicants alike, on one side, as well as IPONZ on the other side. IPTA is concerned at the effect the proposed changes would have on the Office when there already appears to be an increasing examination backlog. Specifically, before such time as a divisional application can be placed in order for acceptance, it must first be examined. There are also many cases at the moment where the first examination report issues

after the five year deadline, thereby providing no opportunity to file and prosecute divisional applications within the 12 month acceptance period for the parent.

IPTA notes Example 1.1.2 of the Discussion Paper. IPTA raises the question as to what happens where an Applicant takes the completely legitimate and necessary action of filing a divisional application, for example, three months (see, paragraph 102 of the Discussion Paper) from the acceptance deadline – who bears the burden under such circumstances – the applicant/attorney (who have complied with the requirements), or IPONZ (which must now produce an examination report to the required standard within a short timeframe such that the applicant is able to have the application accepted by the deadline)?

IPTA submits that it is contrary to the public interest to require examiners to rush examination. It is also contrary to the public interest to impose such restrictive deadlines upon patent applicants. At a time where IPTA strongly supports the simplification of New Zealand divisional practice, MBIE's Option iii appears completely at odds with such a position and for that reason alone, IPTA cannot support MBIE's proposal.

IPTA notes that MBIE's preferred position draws alleged support from the position presently adopted in the United Kingdom (Rule 30(3)(b) of the Patent Rules 2007). However, IPTA notes that current UK and proposed New Zealand practices are readily distinguishable on the basis of the resources, turnarounds and throughputs of the respective Offices. Specifically, in cases where the acceptance deadline is imminent and little progress has been made toward securing acceptance, best New Zealand practice would be to request a Hearing (as no further divisional applications could be filed). However, it is noted that IPONZ is already under considerable time pressure when it comes to Patent Office Hearings; the current wait time of up to 12 months is only likely to increase further as more and more Hearings are requested out of divisional filing pressure necessity. IPTA also notes that there is another route to obtain patents in the UK that is not subject to such restrictions, namely an application filed with the European Patent Office. No such additional route is available in New Zealand.

IPTA also notes that the concept of applying additional time pressure to divisional applications has also been tried – and repealed – by two Offices with close links to IPONZ: the European Patent Office (EPO) and IP Australia (IPA).

In 2010, the EPO introduced a new and almost universally-unpopular procedure that allowed applicants only two years from the date of a first examination report to file (cf. MBIE's proposed requirement to have accepted within essentially half the time) any divisional application/s. The new procedure was intended to reduce the number of divisional applications filed. However, it had the complete opposite effect – the number of divisionals increased substantially because applicants were forced to make a decision regarding divisional filing before they knew where they stood in respect of the parent application. Acknowledging that the new procedure had been unsuccessful, the EPO then repealed the legislation in late 2013, allowing divisional applications to be daisy chained indefinitely, but imposing escalating fees for each subsequent generation of divisional filing – a procedure that IPTA would support.

The top two flaws identified with the EPO-abandoned restricted divisional filing practice (the 2-year cut-off) had been:

- It forced applicants to decide too early on whether to file a divisional application, and
- It forced applicants to file more precautionary divisional applications than they otherwise would have done in the absence of the restriction.

Some of the reasons for introducing the time restriction at the EPO are similar to those described by MBIE (e.g. providing more certainty of scope of protection, reducing the number of pending applications, and

reducing the backlog of cases). In practice, however, the number of divisional applications filed during the 4 years following the introduction of the EPO's restricted divisional filing practice increased significantly as applicants were essentially forced to file simultaneous precautionary divisional applications to cover any supported embodiment they might later be commercially interested in. We respectfully refer MBIE to EPO's presentation (https://e-courses.epo.org/pluginfile.php/1337/mod_resource/content/4/webinar%20-%20filing%20divisionals%20170314.pdf) where the divisional filing restriction did not meet the objective of limiting the possibility to use divisional applications as a tool to prolong pendency of subject-matter before the EPO.

Around about the same time as the new EPO procedure commenced, IP Australia introduced their equally-unpopular "case management" process for divisional applications. This brought forward the acceptance deadline for divisional applications (which is largely the same effect that MBIE's Option iii would have). This "case management" approach is now limited to cases where it appears that the applicant is making no attempt to obtain allowable claims. An inevitable consequence of introducing additional uncertainty upon an applicant was the filing of more divisional applications. As with the EPO procedure, IPA's case management of divisional applications failed to achieve its desired effect and was suspended after less than two years, now only applying in cases where the applicant appears to be making no effort to obtain allowance of claims, and keeps refiling the application as a divisional of itself.

IPTA, of course, appreciates MBIE's desire to limit the filing of divisional applications. However, until such time as a "solution" that adequately balances the rights of an applicant (the primary consideration in IPTA's position) with expediency at IPONZ' end (and the public interest) becomes apparent, IPTA will continue to maintain its preference for MBIE's Option (i) (the *status quo*).

If MBIE is committed to its preferred Option (iii), then IPTA would consider it essential to modify such an option to address these concerns. For example, IPTA's above-proposed modified option in Figure 1 would provide the minimum flexibility to balance the interests of genuine applicants without introducing an unsustainably large examination hearing resource requirement for IPONZ.

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?

IPTA reiterates its opposition to MBIE's preferred position (Option (iii)). However, if such a position were to be adopted, IPTA recommends a time period that is as long as possible. To this end, IPTA notes that under the repealed EPO procedure, an applicant had two years merely to file any divisionals. By contrast, MBIE Option (iii) requires divisionals to be filed, examined and accepted within 12 months of the first examination report, and we submit that this would impose unworkable time pressure upon applicants, attorneys, examiners, and hearings team alike. The inevitable result would be clearly contrary to the public interest: rushed, lower-quality examination giving rise to patents of inferior quality, or an extreme backlog of divisional applications with the examiners and the hearings team at the Office.

IPTA disagrees with MBIE's preferred option, although an absolute minimum balanced flexibility might be provided by IPTA's above-identified modified Option (iii) in Figure 1.

1.2 REQUESTS FOR EXAMINATION

MBIE proposes an amendment so that failure to file a request for examination within the prescribed time limit will result in the application being deemed to be abandoned.

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.

IPTA generally agrees with MBIE’s proposed changes providing it applies to the parent only, and flexibility for divisionals is retained in line with IPTA’s proposal.

1.3 POISONOUS PRIORITIES AND POISONOUS DIVISIONALS

MBIE proposes providing an anti-self-collision provision (i.e. the divisional is not to be considered as prior art against its parent, and vice versa) in preference to providing a multiple/partial priority date solution.

Question P6: Do you agree that poisonous priority is not likely to be a significant issue in New Zealand? If not please explain why.

Question P7: Do you agree with MBIE’s preferred solution to the poisonous divisional issue? If not, please explain why.

IPTA fully agrees with and reiterates submissions filed on 9 July 2019 by Michael Caine of Davies Collison Cave in relation to poisonous priority and partial/multiple priorities.

The problems raised under section 1.3 (poisonous priorities and poisonous divisionals) and section 1.4 (multiple priority dates for claims) stem from the fact that the Patent Act 2013 recognises priority dates to claims themselves, rather than to the subject matter within the scope of the claims. As a result, the Patents Act 2013 fails to accord the protection a patent or patentee is entitled to under Article 4B of the Paris Convention in respect of claims that rely on multiple and partial priorities as provided for in Article 4G of the Paris Convention.

Under the Patents Act 2013 multiple and partial priorities are only recognised when claims are split into their component parts, such that each part claims subject matter first disclosed in a single priority source. In other words, the Patents Act 2013 requires claim splitting in order to recognise multiple and partial priorities. In connection with Australian patent law as it was prior to 1969, claim splitting is a wasteful and costly exercise, particularly when a simple legislative solution is available to avoid it. However, because there is usually very little examination of priority entitlement by applicants and their agents when filing and prosecuting applications before IPONZ, the need for claim splitting to obtain the benefit of multiple and partial priorities is rarely recognised. It is important to note that Article 4 of the Paris Convention does not stipulate that claims must have a priority date. In fact, it is clear from the wording of Article 4 of the Paris Convention, and in particular Article 4B, that priority dates are attached to subject matter rather than claims.

Accordingly, where a patent law attaches priority dates to claims, rather than subject matter within the claims, it is important that the law also allows different subject matter included within the claim to have different priority dates.

In order to demonstrate that the Patents Act 2013 can never allow a claim relying on multiple or partial priorities to obtain the benefit of the protection that should be afforded by Article 4B of the Paris Convention, please consider the following scenario:

- A priority application **P** describing a widget with a part *M made of copper* is filed on **1 June 2016**.
- New Zealand application **A** filed on **1 June 2017**, claims priority from P and describes a widget where part *M can be made of any metal (including copper)*.

- New Zealand application A contains a *claim C for a widget with a part M made of any metal (including copper)*.

According to Section 60(2), the single priority date that would apply to claim C is 1 June 2017, this being the filing date of the application in New Zealand in which the full breadth of claim C is supported. This is despite the fact that part of the subject matter of claim C, namely the widget with part M made of copper, was first disclosed in a priority application P filed on 1 June 2016.

According to Article 4B of the Paris Convention, certain acts occurring between the filing of the priority application and the filing of the convention application should not be invalidating. These Acts include “another filing” and “the publication or exploitation of the invention”. However, consider the consequence of a third party independently publishing a widget with part M made of copper during the priority year, for example on 1 May 2017. Since this will be one month prior to the priority date accorded under Section 60(2), the publication will destroy the novelty of claim C. Accordingly, for claim C, the applicant will not obtain the benefit of Article 4B of the Paris Convention. The same will be the case if, instead of publishing the widget with part M made of copper, the third party filed a patent application with effect in New Zealand on 1 May 2017. This will also invalidate claim C as a result of the application of whole of contents novelty.

Under the Patents Act 2013, the only way the applicant can obtain the benefit of the partial priority claim to priority application P is to split claim C into two claims, Ca and Cb:

- Claim Ca - directed to a widget with part M made of copper.
- Claim Cb - directed to a widget with a part M made of any metal other than copper.

Accordingly, if the claims were split, claims Ca will retain its priority claim to application P and have a priority date of 1 June 2016, thereby predating the publication or filing by the third party. However, the priority date for claim Cb will be the date of filing of application A, that is 1 June 2017. This does not predate the filing by the third party. In the case of the publication by the third party, claim Cb will be novel over the publication, but it will need to be assessed as to whether claim Cb possesses an inventive step over the publication. If the third party, instead, filed a patent application with effect in New Zealand on 1 May 2017, it would not be citable against Cb, because it is not relevant to novelty and cannot be cited for inventive step.

However, the third party will not obtain the grant of a claim directed to the widget with part M made of copper, because that subject matter was disclosed in application A which has an earlier priority date in respect of that subject matter. Accordingly, application A (in view of its earlier priority date) will be a whole of contents novelty citation against the application filed by the third party.

The scenario described above can be equally applied to any claim currently existing in a New Zealand application or patent which seeks to rely on multiple or partial priorities. The applicant is forced to split the claims in order to achieve the benefit.

In IPTA’s view, the solution to all the problems identified in Sections 1.3 and 1.4 of the discussion paper can be addressed by introducing a provision which allows claims to enjoy multiple or partial priorities. Anything less than this, for example introducing protection against self-collision between parents and divisionals, will only treat a symptom of the problem and not address the underlying cause. Even with protection against self-collision, the Patents Act 2013 will still fail to provide the protection required by Article 4B of the Paris Convention without requiring applicants to split claims.

IPTA provides the further following comments in relation to some parts of the discussion paper.

In the analysis provided in paragraph 126, the priority date of claim C is 1 June 2017 when assessed under the Patents Act 2013. While correct, this analysis is completely inconsistent with the analysis provided in paragraph 160. Similarly, the analysis provided in paragraph 145 under the Patents Act 2013 is correct, but is also completely inconsistent with the analysis set out in paragraph 160.

Paragraph 160 erroneously states that claim C has a single priority date that is earlier than the date in which some of the matter included within claim C was disclosed. There is either a typographical error in this paragraph, or the authors of this paragraph have misinterpreted Section 60(2). Section 59 of the Patents Act 2013 provides a priority test that refers to the earliest application that “supports the claim”, so a second later provisional filing may be the earliest application that “supports” the claim, and not an earlier filed first provisional application.

In paragraph 128 it is suggested that the applicant should be required to either delete claim C or amend it so that it does not include the invention described in P. It is unclear why the applicant should not be entitled to claim C, particularly since in the scenario described no third party has disclosed the widget where part M can be made of any metal (including copper).

In fact, paragraph 128 includes the suggestion that claim C should be amended to delete the invention that was described in its priority application. Again, why should the applicant delete the subject matter for which priority is being claimed? Unfortunately, under current New Zealand law, the only way the applicant can obtain full protection for the invention is to split claim C into two claims, the first claim directed to the widget with a part M made of copper, and a second claim directed to the widget with part M made of any metal other than copper. If the applicant splits the claims, then the claim directed to the widget where part M is made of copper will be entitled to claim priority from application P, whereas the claim specifying that part M can be made of any metal other than copper will have a priority date of the filing date of application A.

In paragraph 136 it is suggested that the means for avoiding a conflict between the PCT application and a New Zealand application filed under the Patents Act 2013 is to formally abandon one of the applications before they are published. However, it is unclear why the applicant should be required to withdraw one of their applications. If the Patents Act 2013 was amended to allow a claim to have more than one priority date, there would be no need for the applicant to withdraw either of its applications. Similar comments apply to paragraph 138.

In paragraph 140 it is suggested that poisonous priority could not occur under the (now repealed) 1953 Act. We do not believe that this is the case. In particular, we refer you to New Zealand Patent Nos. 516911 and 519774. In comparing the claims of these patents we note that claim 1 of 519774 was amended during prosecution to exclude the salts that were claimed in the other patent. However, if this disclaimer was not introduced, it is difficult to see why claim 1 of the ‘911 patent would not prior claim the claim 1 of the ‘774 patent. In this regard, claim 1 of the ‘911 patent would have a priority date of 26 January 2000 while the claim of the ‘744 patent would have a patent date of 4 August 2000. We also do not believe that, ignoring the proviso, the protection against self-collision provisions set out in Section 11 of the 1953 Act would assist in saving claim 1 of the ‘744 patent since prior claiming is not “publication or use of the invention” and the other patent has an “earlier” priority date and not the “same or later priority date”. Poisonous priority could only be avoided if there was a mechanism for attributing the earlier priority date of 26 January 2000 to the embodiments within the scope of the claim that were disclosed in the UK priority application.

In paragraph 141 the authors of the discussion paper point out that there has only been one case in Australia where poisonous priority has been an issue since the Patents Act 1990 entered into force in 1991. While it is true that there has only been one significant case dealing with this issue, the AstraZeneca case, the issue has

been raised in a number of other cases since the AstraZeneca decision was handed down. Up until that time, it was not believed that poisonous priority or poisonous divisionals could exist in Australia in view of Section 43(3). However, if the decision in AstraZeneca is correct, there will be many claims in parents and divisionals that are invalid. The summary of the Australian decision relating to poisonous priority is incomplete. It also refers to the amendment made after filing which is irrelevant to the poisonous priority issue. The Court conceded that even if that post filing amendment did not shift the priority date, the application would still be anticipated by the other application.

Question P6

In response to question P6, we believe that poisonous priority is a significant issue in New Zealand. We also believe that with increased awareness of the issue amongst patent practitioners and litigators, poisonous priority could become a regular mechanism for invalidating patents otherwise claiming perfectly patentable and worthy inventions. Under the Patents Act 2013 it is possible to use the applicant's own related applications as prior art against one another, making it possible to invalidate patents when inventions would be otherwise patentable.

Question P7

The discussion paper treats poisonous divisionals separately from the situation where two or more applications are filed at the same time claiming the same priority. However, in view of the practice of anti-dating divisionals to the filing date of the original parent, there is very little difference between these application types.

We do not believe that introduction of the proposed anti-self-collision provisions will be sufficient to address the problems inherent in the Patents Act 2013. The introduction of such a provision will not prevent conflict between patents such as New Zealand Patent Nos. 516911 and 519774, if filed under the Patents Act 2013. These are two patents of which we are aware, however we are certain there are many other patents and patent applications in New Zealand that share a priority date. Also, as discussed above, it does not deal with the real problem, which is that the Patents Act 2013 does not allow a single claim to enjoy multiple or partial priorities.

It is difficult to comment on the section dealing with multiple priority dates for claims, because the analysis set out in Section 160 is flawed. However, we believe that the failure of the Patents Act 2013 to recognise multiple and partial priorities is a significant problem which should be addressed.

Although we do not have data to hand, from our collective experience we believe that a high percentage of Convention applications and PCT applications filed into New Zealand will have claims which seek to rely on multiple and partial priorities. As mentioned above, not one of these claims will receive the protection that is intended to be provided according to Article 4B of the Paris Convention. Since applicants and attorneys are not required to assign priority dates to claims when filing the application, the agents handling the applications will not be aware of which, if any, claims in an application are seeking to rely on multiple and partial priorities. It may not be until there is an opposition or litigation that the importance of the multiple or partial priority claims come to light. At that stage it is likely to be too late to split the claims to restore priority entitlement. As mentioned above, reviewing claims and priority applications and splitting claims into sub-claims which have single priority dates is a time-consuming and costly task, which can be easily avoided by the introduction of a provision which allows a single claim to enjoy more than one priority date.

The statement in paragraph 162 is not completely correct, since the splitting of claims is an absolute requirement in New Zealand if an applicant wishes to take advantage of their multiple or partial priority claims.

The authors of the discussion paper seem to be more concerned that amending the Patents Act 2013 to conform with the Paris Convention will lead to unintended consequences, than concerned for ensuring that the Patents Act 2013 is consistent with the Paris Convention.

The authors also refer to the Australian decision in AstraZeneca mentioned above, which, unfortunately, interpreted Section 43(3) incorrectly without taking into account its intended purpose. With knowledge of this incorrect interpretation of Section 43(3), it will be possible for the MBIE to devise a wording which is unlikely to be misinterpreted. For example, in Australia IPTA has proposed that Section 43(3) could be reworded as follows:

“Where a claim defines more than one form or variant of an invention, then, for the purposes of determining the priority date of the claim, it must be treated as if it were a separate claim for each form or variant of the invention that is defined.”

Paragraph 174 states that the intended outcome is that applicant AA should not be granted a patent for claim C. How can this be the intended outcome, when the outcome is completely contrary to the Paris Convention, resulting in the applicant not achieving the benefit of Article 4B?

Claim C includes within its scope widget W with part M made of copper, and the application with this claim claimed priority from priority application P which describes such a widget. According to Article 4B of the Paris Convention, any publication of widget W with part M made of copper in the priority year should not be invalidating. Accordingly, why should the publication of such a widget after the priority date, or the filing of a patent application by a different applicant in respect of such a widget after the priority date, destroy the novelty of the claim? The answer is that it should not.

In this scenario, with notional claim splitting, the priority date of claim C with respect to widgets with part M made of a metal other than copper is 1 June 2017. The earlier publication of description D of widget W with a part M made of copper is made by a third party and not subject to a grace period, and therefore could be cited for inventive step against this part of claim C. This is because the priority date of the claim insofar as it encompasses widgets with part M made of metals rather than copper is later than the publication date of D. However, for the claim to lack an inventive step it would have to be shown that it would be obvious as at 1 June 2017 to modify the disclosed widget and make part M out of a metal other than copper.

Referring to paragraph 175, if claim C was split into two claims, which is currently required in order to obtain the benefit of multiple or partial priority claims, then the sub-claim directed to widget W made of copper would be clearly valid. The sub-claim directed to widget W with a part M made of a metal other than copper would be novel over description D and patent application B, but description D would be citable against this sub-claim for inventive step. Whether or not the sub-claim is obvious would need to be assessed by applying the normal test for obviousness.

There appears to be a typographical error in paragraph 176, since notional splitting C into separate claims would not be sufficient, actual splitting would be required. The conclusion in paragraph 177 is incorrect. Using a notional splitting approach, claim C would enjoy a priority date of 1 June 2016 for widgets with part M made of copper, and a priority date of 1 June 2017 for widgets having part M made of any metal other than copper (including aluminium). The application filed by applicant BB is the first to disclose the widget with part M made of aluminium, and it has a filing date of 1 December 2016, that is prior to the priority date of claim C insofar as it encompasses widgets with part M made of aluminium. Accordingly, claim C will not be able to encompass widgets in which part M is made of aluminium. In the scenario described, applicant BB will be able to obtain a claim to widget W with a part made of aluminium while applicant AA will be able to

obtain a claim to widget W with part M made of metals other than aluminium. It is difficult to see why this would not be the intended outcome.

Referring to paragraph 178, it is difficult to see why applicant BB should not be able to obtain the grant of claim BC, directed to a widget W with a part M made of aluminium. Yes, claim BC is novel and applicant BB should be able to obtain the grant of that claim. There will be no overlap with the claims granted to applicant AA, because applicant AA will need to exclude widgets with part M made of aluminium from their claims.

For the reasons explained above, the conclusion set out in paragraph 179 is incorrect.

1.4 MULTIPLE PRIORITY DATES FOR CLAIMS

MBIE does not consider there is a problem that supports such an amendment that might produce unintended consequences.

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.

In answer to question P8, we do not agree with the 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.

For the reasons explained above, we believe that amending the 2013 Act to provide that patent claims can have more than one priority date will address all of the problems discussed in Sections 1.3 and 1.4 of this discussion paper.

Although not mentioned in the two sections dealing with multiple and partial priorities, we would like to point out that the MBIE could inadvertently introduce a new mechanism for producing poisonous divisionals. In the discussion paper in Section 1.1 there is a proposal to make divisionals of 1953 Act cases subject to the Patents Act 2013 law. While we disagree with that proposal, it will be very important to ensure that, if this is done, the priority assessment of parents and divisionals will be according to the same test. If not, a parent could poison its divisional and vice versa even allowing for recognition of multiple and partial priorities. It will be important that the priority test for any divisional that has a 1953 Act parent, or grandparent etc is a fair basis test.

1.5 EXTENSIONS OF TIME WHEN HEARING IS REQUESTED

MBIE proposes to amend the 2013 Act and/or the 2014 Regulations to provide that, where an examination hearing has been requested under section 208, the time allowed for putting an application in order for acceptance can be extended to a specified date after the issue of a hearing decision.

Question P9: Of the two options presented by MBIE for dealing with extensions of time when hearings are requested, which do you prefer? Why?

IPTA agrees with the proposal to amend the 2013 Act and/or the 2014 Regulations to provide that, where an examination hearing has been requested under section 208, the time allowed for putting an application in order for acceptance can be extended to a specified date that is at least 3 months after the issue of a hearing decision. A timeframe of at least 3 months would provide a fair time for the applicants and patent attorneys to correspond and consider the hearing decision, and to determine a response.

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.

IPTA would agree: in circumstances where an examination hearing request was withdrawn, the application could be considered abandoned.

1.6 THE UTILITY REQUIREMENT

MBIE does not consider there is any problem with the utility requirements under s10 of the Patents Act 2013.

Question P11: Do you consider that the usefulness requirements in the 2013 are unclear? Why?

IPTA also does not consider there is any problem with the utility requirements under s10 of the Patents Act 2013.

1.7 SWISS-TYPE CLAIMS

MBIE considers there is no requirement to introduce a broader EPC-2000 style “for use” claim in relation to patenting of medical indications, and considers retaining of the Swiss-style claim an effective position for New Zealand.

Question P12: MBIE considers that the 2013 Act should not be amended to allow EPC2000-type claims. Do you agree? If not, why?

IPTA supports the inclusion of an EPC2000 style claim in addition to retaining the Swiss-style type claim format in New Zealand, which it considers would further support and encourage investment in the repurposing of known products for new medical treatments.

In paragraphs 234-237 of the Discussion Paper, MBIE concludes that amending the Patents Act 2013 to allow for the inclusion of EPC2000-type claims would provide:

- No advantages to New Zealand because the economic rationale for allowing such claims in Europe was to stimulate research into new medicinal uses of known drugs – and that this does not apply in New Zealand due to the relatively small size of the market (c.1% of the world market for pharmaceuticals).
- Significant disadvantages, such that allowing EPC2000-type claims could increase the amount that New Zealand pays for patented pharmaceuticals, if the New Zealand courts were to interpret such claims as being broader than Swiss-type claims.

IPTA notes the position adopted in EPO Appeal Decision T1780/12, wherein any difference in scope between Swiss-style and EPC2000-type claims was held to be a function of both technical features and claim category (i.e., whether it is a claim to a product, process, apparatus, or use). In considering the respective categories of the claims at issue, the Appeal Board held that a Swiss-style claim was a purpose-limited process claim, whereas an EPC2000-type claim was a purpose-limited product claim. From this, it followed directly that the subject matter of the two claims was different, and that they were directed to different infringers. However, the Board further concluded that the difference in subject matter led to a variance in the protection afforded by both formats of claim. Since a claim to a particular physical activity (e.g., a method, process or use) confers less protection than a claim to the physical entity *per se*, it followed that a purpose-limited process claim (i.e.,

a Swiss-style claim) confers less protection than a purpose-limited product claim (i.e., an EPC2000 second medical use claim).

IPTA notes that the decision in T1780/12 represents the closest precedent available to MBIE. IPTA does not need to comment on if the scope of EPC2000-type claims would be determined to be broader than that of an otherwise-equivalent Swiss-style claim – or the likelihood of a New Zealand court following the closest identified precedent.

IPTA notes and respects the unique position PHARMAC occupies within the New Zealand healthcare system. MBIE argues that adopting EPC2000-type claims could mean that some uses of pharmaceuticals not covered by Swiss-style claims could be protected by EPC2000-type claims. Under these circumstances, the costs to PHARMAC (and ultimately, to the New Zealand taxpayer) may indeed increase, as appears to be MBIE’s primary fear. If this were the case, it would be difficult to justify allowing EPC2000-type claims unless it could be shown that allowing them would produce benefits sufficient to offset the costs. In this sense, “benefit” is surely intended in the economic sense and would come by way of pharmaceutical companies opting to invest in the development of new medicinal uses of known drugs, either in New Zealand or elsewhere. However, MBIE notes – and IPTA accepts that such decisions are more likely determined by the nature and scope of patent protection available in large, wealthy economies such as the United States or Europe (as opposed to New Zealand, which accounts for only about 1% of the world’s pharmaceutical market).

Attention then turns to whether there is any pharmaceutical-related subject matter (not precluded as a method of medical treatment) that is not well served by Swiss-style claims under current IPONZ practice. To this end, practitioners have regularly expressed difficulties with IPONZ’ interpretation of Swiss-style claims directed to therapies having novelty which resides in the inclusion of certain dosage regimes. In the era of personalised medicine, IPTA believes that this is a significant shortcoming that could be addressed either by IPONZ adopting an examination standard fully consistent with *Merck* (P3/2006)/*Genentech* (P1/2007) and/or by allowing EPC2000-type claims.

Another practical difficulty with current IPONZ examination of dosage regime-limited Swiss-style claims is the claim language often required in order to address various rejections. For example, Examiners sometimes require language in the future tense (e.g., “is to be administered”) and it is not clear how a New Zealand court would construe such claims. As purpose-limited product claims, EPC2000-type claims are inherently better suited to capturing dosage regimes and the like. As the pharmaceutical industry continues to move in this direction, it stands to reason that EPC2000-type claims represent IPTA’s preferred position.

IPTA further notes that a high proportion (c.30%) of pharmaceutical-based applications entering the New Zealand national phase originate in Europe. Such applications will, almost without exception, comprise claims written in EPC2000-type format. The requirement that such claims are re-drafted into Swiss-style format incurs additional expense in order to achieve this result. Allowing EPC2000-type claims would avoid these issues and increase New Zealand’s attractiveness in foreign filing and ultimately investment in New Zealand. A significant barrier in the pharmaceutical area is the expense associated with seeking regulatory approval, and the absence of a pharmaceutical company in filing patent applications in New Zealand does not itself remove regulatory barriers for any generic entrant. Restricting patent protection around repurposing drugs may prevent patent filings and any associated foreign investment into New Zealand, while in itself not enabling any generic entrant to enter the market in New Zealand.

IPTA’s considered position is obviously mindful of the importance of PHARMAC, as noted above. Absent any economic modelling that may rebut MBIE’s current stance, IPTA’s submission is that EPC2000-type claims should be allowed in New Zealand due to their suitability across all aspects of current (and foreseeable

future) pharmaceutical industry practice. Moreover, IPTA would prefer to see EPC2000-type claims allowed in addition to, rather than at the expense of Swiss-style claims.

1.8 EXHAUSTION OF PATENT RIGHTS

MBIE prefers to amend the 2013 Act to provide for international as well as domestic exhaustion.

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.

IPTA would agree with the proposal to provide for domestic exhaustion.

IPTA believes that the 2013 Act should be amended to explicitly provide for the exhaustion of patent rights. IPTA notes that the 2013 Act is presently silent on the issue of exhaustion. As a general proposition, any legislative silence gives rise to uncertainty. Moreover, for the closest applicable precedent law (Discussion Paper, paragraph 242) to be more than a century old only amplifies the undesirability of the present situation. IPTA observes that the concept of patent exhaustion is especially topical throughout the common law (if not the legislation) of two of New Zealand's closest trading partners – Australia and the United States. Finally, IPTA notes that exhaustion is provided for in other New Zealand intellectual property legislation such as the Copyright Act 1994 and the Trade Marks Act 2002. All things considered, IPTA firmly believes that exhaustion should be defined within an amended Patents Act 2013.

Question P14: 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?

In Paragraph 253 of the Discussion Paper, MBIE proposes three options for dealing with the exhaustion of patent rights:

- i. Do nothing (the status quo);
- ii. Amend the 2013 Act to provide for domestic exhaustion only; or
- iii. Amend the 2013 Act to provide for international as well as domestic exhaustion.

Option iii is MBIE's preferred position.

At the outset, IPTA reiterates its response to Question P13, above, which is clearly contrary to Option i (the status quo). Whereas Option ii would be IPTA's preferred position from a philanthropic standpoint, we understand that this is not up for debate at present.

With regard Option iii, IPTA notes recent common law decisions relating to patent exhaustion from both Australia and the United States. In Australia, *Calidad Pty Ltd v Seiko Epson Corporation* [2019] FCAFC 115 and in the United States, the Supreme Court decision in *Impression Products, Inc. v. Lexmark International, Inc.*, both confirmed the notion of international exhaustion of patent rights. In Australia, the *Calidad* decision may still be appealed to Australia's highest appellate court the High Court of Australia. International exhaustion is also supported by New Zealand counterpart legislation such as the Copyright Act 1994 and the Trade Marks Act 2002. IPTA further notes, perhaps on the back of the trade marks legislation, that parallel importation is a staple of New Zealand consumer culture – and that it would be somewhat incongruous were this not to patented products. On these bases – and as much as IPTA supports the notion of strong, enforceable patent rights per Option ii, it seems reasonable that New Zealand may wish to define patent exhaustion as both domestic and international when the 2013 Act is amended.

1.9 ATTORNEY-GENERAL'S RIGHT TO INTERVENE IN PATENT PROCEEDINGS

MBIE identified three options for dealing with the issue of sections 163 and 164 of the Patents Act 2013:

- i. Do nothing (the status quo);
- ii. Repeal sections 163 and 164 of the 2013 Act; or
- iii. Amend the provisions relating to opposition, revocation and re-examination proceedings to allow "any person, or the Attorney General" to challenge the grant of a patent.

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?

IPTA would agree that the Attorney-General should retain that right to intervene.

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?

IPTA prefers Option ii (Repeal sections 163 and 164 of the 2013 Act). Option iii would address this issue since the Attorney-General would be considered "any person".

1.10 AVAILABILITY OF DOCUMENTS RELATING TO 1953 ACT APPLICATIONS

MBIE proposes that the transitional provisions of the 2013 Act be amended to make it clear that the provisions of section 91 of the 1953 Act continue to apply to all 1953 Act applications and patents granted on those applications. Under section 91 of the 1953 Act, documents relating to 1953 Act applications, in particular examination reports produced by patent examiners, were made confidential. They cannot be made available to the public by the Commissioner of Patents. In addition they cannot be produced or inspected in any legal proceeding unless the Court or other authorised official certifies that production of the reports is in the interests of justice.

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?

IPTA would agree with retaining the current practice of examination file history confidentiality over 1953 Act granted patents, and any updated transitional provisions further clarifying this position would be welcomed.

1.11 ABSTRACTS

MBIE seeks input regarding the possible introduction of a provision that the abstract is not considered for interpretation of an invention as described or claimed in a complete specification.

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?

For the reasons detailed below, IPTA prefers an alignment with other countries including Australia and the United Kingdom to clarify in a new provision that the abstract is not to be considered for interpretation of an invention as described or claimed in a complete specification.

Background

IPTA understands the purpose of the abstract is intended to serve as an efficient scanning tool for searching in the particular technical field, particularly by making it possible to assess whether there is a need to consult the patent document itself. It is generally accepted that, by virtue of its short length, the abstract cannot provide a sophisticated description of the invention. In some cases, the definition of the invention (i.e. the broadest independent claim) is longer than 150 words, so this cannot be replicated in full in the abstract. Some simplification and generalisation is necessary, and any examination of the abstract should be conducted in a pragmatic manner.

As explained in further detail below:

1. New Zealand is applying a more onerous standard for abstracts than applied under PCT Rule 8;
2. It is undesirable to compel applicants to make amendments unless there is a material benefit to the public;
3. Amendments in New Zealand may have implications for the future interpretation of the invention;
4. Amendments in New Zealand can also have implications for corresponding applications filed elsewhere; and
5. The introduction of a provision in line with PCT Article 3.3 will clarify the interpretation of Regulation 33.

New Zealand is applying a more onerous abstract standard

The standard being applied in New Zealand is a departure from the standard applied for abstracts elsewhere. As acknowledged at [298] of the Consultation Paper, patent examiners are currently policing the requirements of Regulation 33 rigorously. The basis for this rigor is unclear. As shown in the table below, the wording of Regulation 33 essentially reflects the wording of PCT Rule 8.1 (like colours are used to compare equivalent provisions).

Regulation 33	PCT Rule 8.1
<p>(1) An abstract must consist of the following:</p> <p>(a) a summary of the disclosure of the complete specification as contained in the description, the claims, and any drawings; and</p> <p>(b) if applicable, the chemical formula which, among all the formulas contained in the patent application, best characterises the invention.</p> <p>(2) The summary referred to in subclause (1)(a) must—</p> <p>(a) indicate the technical field to which the invention pertains; and</p> <p>(b) be written in a way that allows the clear understanding of the technical problem, the gist of the solution of that problem through the invention, and the principal use or uses of the invention.</p> <p>(3) The abstract must be as concise as the disclosure of the complete specification permits.</p> <p>(4) The abstract must not contain statements on the alleged merits or value of the claimed invention or on its speculative application.</p>	<p>(a) The abstract shall consist of the following:</p> <p>(i) a summary of the disclosure as contained in the description, the claims, and any drawings;</p> <p>the summary shall indicate the technical field to which the invention pertains and shall be drafted in a way which allows the clear understanding of the technical problem, the gist of the solution of that problem through the invention, and the principal use or uses of the invention;</p> <p>(ii) where applicable, the chemical formula which, among all the formulae contained in the international application, best characterizes the invention.</p> <p>(b) The abstract shall be as concise as the disclosure permits (preferably 50 to 150 words if it is in English or when translated into English).</p> <p>(c) The abstract shall not contain statements on the alleged merits or value of the claimed invention or on its speculative application.</p> <p>(d) Each main technical feature mentioned in the abstract and illustrated by a drawing in the international application shall be followed by a reference sign, placed between parentheses.</p>

The common requirements defined by PCT Rule 8.1 and Regulation 33 indicate that Regulation 33 is intended to be interpreted in a manner that is consistent with PCT Rule 8.1. However, this is not occurring in practice. Instead, many applications derived from International applications have objections raised against the abstract, despite no corresponding objection having been raised during the International phase and no objections being raised on national phase entries elsewhere. Thus, New Zealand is applying significantly more onerous requirements for abstracts than those applied under the PCT.

The stricter interpretation of Regulation 33 suggests that patent examiners are treating the abstract as a more significant element of an application than a mere searching tool. There is no case law that supports the more onerous interpretation being applied in New Zealand, and reform should be considered.

Unnecessary Amendments are undesirable

The public benefit of amending an abstract to meet a more onerous standard should be balanced against the possible implications of the amendment for the patent applicant.

There is no evidence to suggest that more onerous abstract requirements in New Zealand lead to material benefits for the public. Indeed, given an increasing amount of patent searching is conducted on a full text basis (although not through IPONZ), the benefits of a very detailed abstract are increasingly limited. In contrast, compelling applicants to amend abstracts (to meet a more onerous standard than that applied under PCT Rule 8) has a real cost to applicants. These costs arise from the delay in prosecution to deal with the objection to the abstract and the cost of making amendments. In addition, the amendments potentially have ramifications for other patent cases, depending on how those amendments are interpreted elsewhere.

At present, IPTA considers the costs to applicants significant outweigh the benefits of amending abstracts.

Interpretation of amendments

By applying a more onerous standard, it appears patent examiners are seeking to have the abstract provide more information than is practicable in a statement generally limited to 150 words or less. Patent applicants are being asked to outline aspects of the technical problem and the definition of the invention in a short form

ill-suited to providing a nuanced and precise discussion. The brief description of a technical problem in the amendments to a New Zealand abstract may take on new significance when assessing the inventive step of the claimed invention, both in New Zealand and elsewhere.

Amendments in New Zealand (or elsewhere) may be considered during proceedings on corresponding patent cases in many countries, including Australia, China, Indonesian, France, Italy, Israel, Japan, Netherlands and Spain.¹ For example, overseas prosecution history was recently considered in Australia in *Neurim Pharmaceuticals (1991) Ltd v Generic Partners Pty Ltd (No 2)* [2019] FCA 154.

While the MBIE is not aware of any instances where the abstract is used to interpret the scope of the claims of a complete specification, the implications of any amendments to the abstract are not limited to New Zealand for patent applicants. This is a relevant policy consideration, as unduly onerous requirements in New Zealand may deter entities from pursuing patent protection in New Zealand and, consequently, investing in the New Zealand market. In addition, given that the present legislation was implemented relatively recently, it is reasonable to expect that this question may not yet have arisen in New Zealand case law.

PCT Article 3.3

It has been proposed to add a provision like PCT Article 3.3, which provides that the abstract cannot be taken into account for the purpose of interpreting the scope of the protection sought, or any other purpose. The addition of such a provision will clarify the purpose of the abstract. This, in turn, would clarify the interpretation of Regulation 33 so that an appropriate standard is applied during examination.

The Consultation Paper states at [300] that the United Kingdom (UK) and the United States (US) do not have a provision similar to PCT Article 3.3. However, the UK Patents Act makes clear that the abstract does not form part of the specification. In particular, the UK Intellectual Property Office Manual of Patent Practice states:

14.169 **The abstract** is not part of the specification, and it is clear from s.125(1), which refers to the claims being interpreted by the description and any drawings contained in the specification, that it **cannot be used to give assistance in determining the extent of the protection conferred by the claims.** (Emphasis added.)

Thus, UK practice is consistent with PCT Article 3.3.

In the US, the “*purpose of the abstract is to enable the Office and the public generally to determine quickly from a cursory inspection the nature and gist of the technical disclosure.*” (see 37 CFR 1.72(b)). There is no requirement to define the technical problem in the US. However, in the US, the abstract can and has been used to determine claim construction (see *Hill-Rom Co., Inc. v. Kinetic Concepts, Inc.*, 209 F.3d 1337, 1341, 54 USPQ 2d 1437, 1440 (Fed. Cir. 2000)).

Australia, the United Kingdom and Europe each have provisions that make clear the limited purpose of the abstract. It is clear from the Explanatory Note of the Patents Bill 235-1 and the Commentary of the Patents Bill 235-2 that the recent amendments to New Zealand Patent law have been motivated by a desire to bring New Zealand law into greater alignment with Australia, the United Kingdom and, by extension, Europe. Thus, the inclusion of a provision equivalent to PCT Article 3.3 in New Zealand, together with reform of the abstract examination process, would be in keeping with the rationale for recent changes to New Zealand legislation.

¹ See e.g. *The use of prosecution history in post-grant patent proceedings (Q229)*, Summary Report, Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI), 2013 AIPPI Forum & Executive Committee Meeting – Helsinki, accessed online: <https://aippi.org/wp-content/uploads/committees/229/SR229English.pdf>

1.12 DOUBLE PATENTING

IPTA provides the following additional submissions regarding provisions and practice in relation to double patenting requirements in New Zealand.

A fundamental principle underlying the patent system is that an applicant receives a time limited monopoly for the full scope of an invention as disclosed and claimed in one or more patent applications in exchange for disclosing the invention. Further, for various legitimate reasons an applicant may wish to pursue two or more patent applications for different variants or embodiments of an invention, such as by filing the applications simultaneously or by filing one or more applications divided out a previously filed parent application. The claims of these two or more applications may at least partially overlap in scope, and/or may relate to similar or related subject matter that is considered to be for substantially the same invention.

However, in some jurisdictions, the relevant Patent Offices and/or Courts raise “double patenting” objections where co-pending applications and/or patents filed by the same applicant contain claims having at least partially overlapping scopes or that relate to subject matter that is not patentably distinct. The objective of double patenting objections is to avoid a perceived possible harm to users of patented inventions which it is believed could result from granting the applicant multiple patents claiming similar or the same inventions.

New Zealand patent practice addresses double patenting, at least between a divisional application and a parent application, under Regulation 82 of the Patents Regulations 2014. Regulation 82 recites:

The requirements prescribed for the purpose of [acceptance of a complete specification relating to a patent application under] section 74(1)(b) of the Act are—

...

(b) in the case of a divisional application, if the Commissioner has accepted the complete specification relating to a parent application, that the divisional application must not include a claim or claims for substantially the same matter as accepted in the parent application; and

(c) in the case of a parent application, if the Commissioner has accepted the complete specification relating to a divisional application, that the parent application must not include a claim or claims for substantially the same matter as accepted in the divisional application.

IPONZ interprets “a claim ... for substantially the same matter” to mean a claim in the divisional application that falls wholly within the scope of, wholly encompasses the scope of, or is substantially identical to, a claim in the parent application.

It is often difficult or impossible to overcome a double patenting style objection under reg 82 by amending the claims to remove overlap between one patent application and another, or to render the subject matter of some claims distinct with respect to that of the other claims, without leaving substantial gaps in protection provided by the amended claims. Double patenting rejections therefore often have the detrimental result that an applicant does not receive patent protection for certain variants or embodiments of the invention even though such variants or embodiments have been disclosed to the public in at least one of the patent applications. Additionally or alternatively, the scope of protection obtained by an applicant may not be commensurate with the applicant’s full contribution to the art.

Regulation 82 is therefore in direct conflict with the fundamental principle underlying the patent system mentioned above. Further, the resulting detriment to applicants significantly outweighs any perceived

possible harm to the users of patented inventions which may result if multiple patents are granted to the same applicant.

Further, it is not currently possible to address a double patenting rejection under reg 82 by amending or deleting claims in the accepted application. This is because IPONZ has recently advised of an unintended substantial change in practice in early 2019 that the current provision is based on a comparison between the claims of the application being examined and the claims (as accepted) of the accepted application. The current provision is inconsistent with previous practice under reg 23(2) of the Patents Regulations 1954, repealed reg 52(3) of the Patents Regulations 2014, and the intentions of MBIE and IPONZ when current reg 82 was originally implemented in 2018.

There is no evidence that MBIE intended, or even contemplated, a change of practice whereby it would no longer be possible to deal with a claim overlap objection by amending or deleting (or surrendering) accepted claims. The amendments in the Patents Amendment Regulations 2018 were supposed to be technical amendments that were non-controversial in nature and for this reason there was no consultation period. Specifically, the amendments to reg 82 were to address requirements regarding the respective content of divisional and parent patent applications to the examination stage, rather than the application filing stage, in response to concerns that a double patenting situation at the time of filing a divisional application may not be curable during examination and may mean the divisional application is invalid. The implementation of current reg 82 was never intended to effect a substantive change in practice. We refer to the discussion of the new provision at the Patents TFG meeting on 28 March 2018, which was attended by senior members of both IPONZ (Mark Pritchard) and MBIE (Warren Hassett). IPONZ's minutes from the Patents TFG meeting on 28 March 2018 record at item 14 (Amendments to patent regulations) at the top of page 4:

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.

Similarly, NZIPA's minutes for the same meeting record at item 9 (Amendments to Patents Regulations) midway down page 4:

The Patents Amendment Regulations 2018 come into force on 5 April 2018. If a parent was accepted, but subsequently lapsed/abandoned/surrendered, that would not present a barrier to pursuing the same claims in a divisional. Regulation 82 should only apply to a claim or claims for substantially the same matter in a live parent.

In consequence of the current provision, however, it is often not possible to properly deal with a double patenting objection during examination, for example, if an examiner's interpretation of "substantially the same matter" differs from the applicant's interpretation.

We therefore request MBIE to recommend limiting double patenting/claim overlap under reg 82 only to claims that have identical scope in co-pending applications and/or patents that have been filed by the same applicants, with the same effective filing date. In that regard, we **attach** the Resolution of the Executive Committee of the International Federation of Intellectual Property Attorneys (FICPI) on "Double Patenting" from Barcelona, Spain 2 to 5 November 2014 (**Appendix 1**).

Further, we request MBIE to recommend that "double patenting" should only ever be a bar to the sealing of the grant of two patents that each have claims of identical scope. At present, reg 82 acts as a bar to acceptance of a divisional (or parent) application. However, it is unclear what if any harm is being done to

users of patented inventions if two easily identifiable related patent applications are accepted with similar claims.

One option would be to repeal regs 82(2) and (3), and insert a provision in the Patents Act 2013 similar to Section 64 of the Australian Patents Act 1990 to bring New Zealand legislation more into line with the patent systems of many other jurisdictions. Section 64 recites:

(1) Subject to this section, where there are 2 or more applications for patents for identical, or substantially identical, inventions, the granting of a patent on one of those applications does not prevent the granting of a patent on any of the other applications.

(2) Where:

(a) an application for a standard patent claims an invention that is the same as an invention that is the subject of a patent and is made by the same inventor; and

(b) the relevant claim or claims in each of the complete specifications have the same priority date or dates;
a standard patent cannot be granted on the application.

Alternatively, we request, at a minimum, MBIE to recommend the current provision be amended to clarify double patenting only applies to a claim or claims for substantially the same matter pending in a live parent (or divisional) specification, as was intended when the current regulation came into force (that is, no change in previous practice). This could be done by adopting similar language of reg 23(2) of the Patents Regulations 1954. Alternatively, the current provision could be amended so that an applicant or patentee can overcome the objection by a simple mechanism, such as offering to maintain common ownership between the two patents, without requiring amendment of the claims.

1.13 GRACE PERIOD

IPTA provides the following additional submissions regarding provisions and practice in relation to grace period requirements in New Zealand.

New Zealand implemented a new one-year grace period when the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force on 30 December 2018. Under the new grace period, a disclosure of an invention made by or with the consent of the patentee or nominated person must be disregarded in certain circumstances. Specifically, s 9(1)(f) of the Patents Act 2013 recites:

For the purposes of section 8, the disclosure of matter constituting an invention must be disregarded if ... the following applies:

...

that disclosure occurred during the 1-year period immediately preceding the patent date and the disclosure was made by any of the following persons:

(i) the patentee or nominated person [; or]

(ii) any person from whom the patentee or nominated person derives title [; or]

(iii) any person with the consent of the patentee or nominated person [; or]

(iv) any person with the consent of any person from whom the patentee or nominated person derives title.

However, s 9(1)(f) is unlikely to comply with New Zealand's international obligations, and is inconsistent with grace periods implemented in other jurisdictions. Further, the application and scope of the current provision is also uncertain for both patent owners and users of patented inventions.

A first problem with the current provision is with the "matter constituting an invention" language. The grace period could be taken to only apply to information that could deprive an invention of novelty, but not to information that could deprive an invention of inventive step. That is, it is unclear whether under the current provision it is a disclosure of only the invention itself, or rather a disclosure of any invention (e.g. a similar but not identical one), which can be disregarded. In consequence, the current provision appears to be inconsistent with Art 18.38 of the CPTPP and its explanatory footnotes.² Article 18.38 requires (emphasis added):

Each Party shall disregard at least information contained in public disclosures used to determine if an invention is novel or has an inventive step, if the public disclosure:

(a) was made by the patent applicant or by a person that obtained the information directly or indirectly from the patent applicant; and

(b) occurred within 12 months prior to the date of the filing of the application in the territory of the Party.

A similar problem originally existed in corresponding s24(1)(a) of the Australian Patents Act 1990, and was corrected under the Intellectual Property Laws Amendment (Raising the Bar) Act 2012.³ Please see the discussion of items 32 and 33 in the Explanatory Memorandum for the Intellectual Property Laws Amendment (Raising the Bar) Bill 2011.⁴

A second problem with the current provision is that by focusing on the person who makes the disclosure instead of the information being disclosed, the grace period is unlikely to cover unconsented on-disclosure (publication or use) of the disclosed matter by a third party. In consequence, the current provision again appears to be inconsistent with art 18.38 of the CPTPP. As set out above, art 18.38 requires that Each Party to the CPTPP shall disregard at least information contained in public disclosures if the public disclosure:

(a) was made by the patent applicant or by a person that obtained the information directly or indirectly from the patent applicant; and

A third problem with the current provision is that it does not apply to "secret use" of the invention in New Zealand before the priority date. Secret use is both a ground of opposition to a patent application, and a ground for revocation of a patent. This gives rise to the "absurd situation" that public working of the invention within the one-year period prior to the New Zealand filing date can invoke the defence provisions but concealed working of the invention cannot. Again, a similar problem originally existed in corresponding s 24(1)(a) of the Australian Patents Act 1990, and was corrected under the Raising the Bar Act. The problem was discussed in the Explanatory Memorandum for the Raising the Bar Bill, with reference to item 29 in the Bill:

A ground of invalidity of a patent is that the invention was secretly used in Australia by, or with the consent, of the patentee before the priority date of the patent. The rationale for this is that allowing a patentee to secretly use their invention before seeking patent protection would defeat one of the purposes of the patent system, which is to provide the public with information about new technology and ideas as they develop.

² <https://www.mfat.govt.nz/assets/Trans-Pacific-Partnership/Text/18.-Intellectual-Property-Chapter.pdf>

³ <https://www.legislation.gov.au/Details/C2012A00035>

⁴ <https://www.legislation.gov.au/Details/C2011B00114/Explanatory%20Memorandum/Text>

Currently, other than in the limited circumstances already provided for in section 9, secret use before the filing will invalidate a patent. This is the case regardless of whether the use was accidental or not. In contrast, if that use is public, and the 'grace period' applies (grace period is discussed in items 32 and 33 below), it may not affect the validity of the patent. This gives rise to an absurd situation in which public use of the invention by a patentee within 12 months of filing a complete application does not impact on patentability of an invention, by virtue of the grace period, but secret use in the same period does.

The amendment addresses this absurdity by specifying that any use of an invention within Australia, within a prescribed period, is not secret use. The prescribed period will be within 12 months of filing a complete patent application, to correspond with the grace period.

We request MBIE to recommend revising the current provision so that it is both consistent with New Zealand's international obligations under the CPTPP and corresponding grace periods implemented overseas, and so that it provides commercial certainty for both patent owners and users of patented inventions. One practical solution may be to adopt a language similar to s24(1)(a) of the Australian Patents Act 1990 and corresponding reg 2.2C of Australian Patents Regulations. Section 24(1)(a) recites:

For the purpose of deciding whether an invention is novel or involves an inventive step or an innovative step, the person making the decision must disregard ... any information made publicly available in the prescribed circumstances, by or with the consent of the nominated person or patentee, or the predecessor in title of the nominated person or patentee ... but only if a complete application for the invention is made within the prescribed period.

And reg 2.2C(3) recites:

The period for making a complete application for the invention is 12 months from the day the information was made publicly available.

Further, we are of the view that it would be acceptable to also include the exception or proviso allowed for in footnote 31 of Chapter 18 of the CPTPP. That is, the new grace period provision does not apply to information contained in applications for, or registrations of, intellectual property rights made available to the public or published by a patent office, unless erroneously published or unless the application was filed without the consent of the inventor or their successor in title, by a third person who obtained the information directly or indirectly from the inventor.

2. Trade Marks Act 2002

2.1 SERIES OF TRADE MARKS

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

Yes. The primary objection which MBIE has raised against series applications is that many of them are filed incorrectly and that this creates alleged uncertainty and imposes additional costs to prospective applicants and to IPONZ. However, IPTA considers that this could readily be addressed by simply informing applicants at the time of filing expressly and clearly as to the requirements for a series application, and setting a much shorter time frame if the relevant marks are deemed not to constitute a series (e.g. one month from the date of notification of objection, after which the application will be deemed to proceed as an "ordinary" application for the first mark in the series application). Series applications form a particularly important function in New Zealand, given the extremely narrow test for "direct" trade mark infringement (see below). They are also beneficial to both trade mark owners and consumers, by clearly defining the rights provided by registration of a series trade mark.

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.

No. IPTA considers that MBIE has not recognised the commercial and public benefit provided by registration of series marks. Its primary motivation appears to be one which could easily be addressed by better education of TM applicants prior to filing and a shortening of a deadline to respond if marks are deemed not to constitute a series.

This issue is particularly important in New Zealand, as the test for "direct" trade mark infringement is restricted to the use of an **identical** trade mark, which has been interpreted narrowly in numerous trade mark infringement cases. If a trade mark owner does not have the ability to file a series mark then it will likely register the predominant trade mark without additional elements which would otherwise be identified in a series application/registration. However if an unauthorised third party uses the registered mark with those additional elements (which may be protected under a series application/registration), then the alleged infringing mark would likely no longer be "identical" to the registered mark, forcing the owner of the registered mark to prove that use of the mark would be likely to deceive or cause confusion (s89(1)(c)). This is an unnecessary burden to place upon the owner of the registered mark, and places greater burden upon a court considering any such action.

MBIE has also noted that "most countries do not register series of trade marks". Whilst this may be true, Australia does recognise series trade mark registrations. Given the extremely close commercial, trade, marketing and business ties between Australia and New Zealand, IPTA considers that it is helpful for IP legislation and practice between the two countries to be as harmonious as possible, unless there is good reason why this should not occur. In this case, retention of series applications will ensure that brand owners have access to the same level of protection in New Zealand as they do in Australia, in relation to series marks.

IPTA also considers that charging higher fees to file a series application, as in Australia, would be appropriate.

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.

IPTA supports this change, which is consistent with established law, practice and procedure in Australia.

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, IPTA supports this proposal.

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.

Yes, IPTA recognises and respects this suggestion. Its primary note of caution is that IPONZ should take all necessary steps to ensure that its "picklist" is updated routinely and often. Currently, there are several goods/services which are not identified clearly or expressly in the picklist, forcing brand owners to adopt other "umbrella" terms and then amend them post-filing, to identify specific goods/services expressly. IPTA suggests that IPONZ consider creation of a picklist "request" facility where TM applicants can identify goods/services which are not listed in the picklist, so that IPONZ can attempt to add such goods/services to the picklist as quickly as possible to meet client demands.

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?

The entry of "acceptable memoranda" should be restricted to that which directly affects the scope and nature of protection afforded by a trade mark registration (i.e. by identifying a geographic limitation as to use of the mark, or restricting use of the mark to a certain type of product - e.g. that in use the mark will only be used in relation to wool products/beef products etc.). This is helpful to educate consumers as to the scope of protection afforded by a trade mark registration and also to third-party trade mark owners, when assessing availability of its trade mark for use and registration in New Zealand.

IPTA broadly supports the notion that trade mark owners should provide this information.

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?

IPTA suggests that this change is both helpful and warranted, and will not place pressure or burden upon trade mark owners.

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, IPTA supports this change, which is consistent with Australian law and practice. However, IPTA cautions against use of the term "false" in any heading in this regard lest it becomes embedded as a requirement.

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.

No, IPTA does not support this change. It is conceivable that registration of a trade mark may contravene a section of the Trade Marks Act, but not any other Act. The potential issue to which MBIE refers is one which can readily be addressed in an appropriate decision by the Commissioner or a court and it seems unlikely that any such burden would be onerous.

2.8 REMOVE REQUIREMENT THAT ONLY AN “AGGRIEVED PERSON” CAN APPLY TO REVOKE OR INVALIDATE A REGISTRATION

Question T9 (numbering duplicated...T10?): 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. IPTA supports this change which is consistent with Australian law and practice. There have been cases in the past in New Zealand with this requirement has effectively obstructed a removal applicant proceeding with its action, largely on issues of timing and establishing that it was a "person aggrieved" as at the time of filing its removal application. There is in IPTA's view no need for this requirement to remain.

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.

No, IPTA does not consider that this is a serious concern.

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?

This suggested "harmonisation" perhaps does not recognise the difference between a domestic Application and an IRDNZ. The reason for having partial refusals of an IRDNZ is that the International Registration system assumes that a mark is registered in the country unless there is a reason for it not to be, and therefore IPONZ

can only interfere to the extent that there is a reason to do so. A domestic Application does not have this same overarching assumption, and more importantly should not.

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. IPTA considers that the current practice places undue burden both upon the removal applicant and IPONZ, as the Commissioner must issue a decision in relation to an undefended revocation application. This also delays removal of the relevant trade mark registration.

The practice in Australia is that the revocation application succeeds if the registered trade mark owner does not oppose the revocation action. This is much more efficient administratively and in New Zealand should reduce the burden placed upon the Commissioner. If the registered owner of a trade mark refuses to respond to a revocation action, then there is no reason for it to have its trade mark registration remain.

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.

IPTA suggests that alternative approach is as outlined above - namely that which is present in Australia. If the owner of a trade mark registration which is the subject of a revocation action does not file a counterstatement within the requisite period, then the registration should be removed. This places less burden upon the Commissioner and IPONZ and streamlines revocation proceedings significantly. It does not harm the legitimate interests of a trade mark owner, as it has the time and opportunity to file a counterstatement to defend its registration.

This change will also be consistent with Australian trade mark law and practice.

3. DESIGNS ACT 1953

3.1 SUBSTITUTION OF APPLICANT

Question D1: Do you agree that the Designs Act should be amended to allow for substitution of Applicant? If not why? If the Act is amended to allow substitution of applicant, do you agree that the procedure should be based on those in the Patents Act and the Patents Regulations?

IPTA agrees with this, and is in favour of allowing for substitution of an applicant of a design application and is in favour of the proposed solution.

3.2 REQUIREMENT TO USE IPONZ CASE MANAGEMENT FACILITY

Question D2: Do you agree with the proposal to amend the Designs Act and the Designs Regulations to require use of the IPONZ Case Management Facility? If not, why?

IPTA agrees with this proposal.

3.3 SECTION 38: COSTS AND SECURITY FOR COSTS

Question D3: Do you agree with the proposal to amend s38(2) of the Designs Act so that it is consistent with the corresponding provisions of the 2013 Act and the Trade Marks Act? If why?

IPTA agrees with this proposal.

3.4 HEARINGS BEFORE THE COMMISSIONER OF DESIGNS

Question D4: Do you agree that the Designs Act be amended to provide that, before the Commissioner makes a decision involving the Commissioner's discretion, any person adversely affected by that decision must be given an opportunity to be heard? If not, why?

IPTA agrees with the proposal that the Designs Act be amended to provide that, before the Commissioner makes a decision involving the Commission's discretion, any person adversely affected by that decision must be given an opportunity to be heard.

3.5 AUTHORISATION OF AGENT

Question D5: Do you agree that the Designs Act be amended to remove the requirement to file an authorisation of agent in connection with design applications or proceedings before the Commissioner of Designs? If not, why?

IPTA agrees with the proposal that the Designs Act be amended to remove the requirement to file an authorisation of agent in connection with design applications or proceedings before the Commissioner of Designs.

3.6 PROCEEDINGS BEFORE THE COMMISSIONER OF DESIGNS

Question D6: Do you agree that the Designs Act be amended to provide for provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs? If not, why?

Question D7: If your answer to question D6 is yes, do you agree that the provisions be modelled on those in the 2013 Act? If not, what alternative provisions should be provided?

IPTA agrees with the proposal that the Designs Act be amended to provide for provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs and that those provisions be modelled on those in the 2013 Act.

4. USE OF ARTIFICIAL INTELLIGENCE BY IPONZ

IPTA agrees with and supports the following position and submissions prepared by Dr Mark Summerfield.

Dr Summerfield is a registered Trans-Tasman Patent Attorney who has substantial experience working with clients having inventions in the fields of artificial intelligence and machine learning. He is also an electrical engineer and software developer who has built machine learning systems, including systems employed by IP Australia in production of its Intellectual Property Government Open Data (IPGOD) releases in 2018 and 2019. IPTA therefore considers that Dr Summerfield is well placed to comment of the use of artificial intelligence by IP offices.

As a general observation, the MBIE Discussion Paper might be regarded by many as drawing a fairly long bow in its discussion of the use of artificial intelligence (AI) in decisions to grant or register IP rights. Automated systems that would be capable of making complex decisions with significant policy implications, and potential impacts upon the wider public – such as whether or not to grant a patent right – seem unlikely to emerge in the foreseeable future. There is, at present, no clear pathway from existing AI and machine learning (ML) technology to systems that would be capable of such decision-making. It is possibly therefore premature to be considering legislative and regulatory provisions that could encompass this ‘science fiction’ future. A more practical approach may be to consider a framework for introduction of technologies that are more reasonably foreseeable.

As noted at paragraph 4.9 of the Discussion Paper, Australia’s IP laws have recently been amended to permit the implementation of computerised decision-making. The Australian provisions are exemplified by section 223A and subsection 224(1A) of the *Patents Act 1990*, set out below.

PATENTS ACT 1990 - SECT 223A

Computerised decision-making

(1) The Commissioner may arrange for the use, under the Commissioner's control, of computer programs for any purposes for which the Commissioner may, or must, under this Act:

- (a) make a decision; or
- (b) exercise any power or comply with any obligation; or
- (c) do anything else related to making a decision to which paragraph (a) applies or related to exercising a power, or complying with an obligation, to which paragraph (b) applies.

Note: A reference to this Act includes the regulations (see Schedule 1).

(2) For the purposes of this Act, the Commissioner is taken to have:

- (a) made a decision; or
 - (b) exercised a power or complied with an obligation; or
 - (c) done something else related to the making of a decision or the exercise of a power or the compliance with an obligation;
- that was made, exercised, complied with or done by the operation of a computer program under an arrangement made under subsection (1).

Substituted decisions

(3) The Commissioner may substitute a decision for a decision the Commissioner is taken to have made under paragraph (2)(a) if the Commissioner is satisfied that the decision made by the operation of the computer program is incorrect.

PATENTS ACT 1990 - SECT 224

Review of decisions

...

(1A) If:

- (a) the Commissioner is taken to have made a decision (the *initial decision*) under paragraph 223A(2)(a); and
- (b) under subsection (1) of this section, application may be made to the Administrative Appeals Tribunal for review of the initial decision; and
- (c) the Commissioner, under subsection 223A(3), substitutes a decision for the initial decision;

application may be made to the Administrative Appeals Tribunal for review of the substituted decision.

Two points appear notable about this regime:

- it is not limited to the making of decisions and the exercise of powers under the Act, but also includes ‘anything else related to’ such actions; and
- there is, initially, a mechanism for the Commissioner (or, more usually, a human delegate) to substitute a computerised decision, which may be exercised *prior to* any application to the AAT for a review of the decision.

In practice, therefore, the legislation provides for computerisation of such activities as the generation and issuance of examination reports, which are clearly ‘related to’ a decision to accept or reject an application, while not actually constituting that decision. For the foreseeable future, actions such as the issuance of initial examination reports on trade mark applications, where the applicant has an opportunity to respond in the event of an adverse report – and the response may then be considered by a human examiner – would appear to be among the more likely candidates for computerisation.

Furthermore, in the event that a computerised decision is adverse to a party, it would be expected that the party would initially request reconsideration by a human delegate of the Commissioner, with a view to substitution of the decision, prior to any further application to the AAT (or the Federal Court of Australia, where the decision would generally be reconsidered *de novo*). This suggests that – again, at least for the foreseeable future – the making of adverse or contentious decisions by the use of a computer program is unlikely to result in a substantial reduction of workload within IP Australia.

Assuming that the purpose of implementing computerised decision-making is to enhance efficiency of operations and to reduce workloads, the present Australian legislation provides no incentive for IP Australia to automate the making of adverse and/or contentious decisions. Automation is therefore most likely to be employed for actions ‘related to’ a decision, but which have no immediate adverse effect, and for making decisions that are most commonly favourable to the requesting party, and likely to be uncontentious.

In the case of such a decision implemented using an artificial intelligence (AI) or machine learning (ML) system, the system could be configured (e.g. trained) to err on the side of caution, i.e. such that it is unlikely to make an incorrectly favourable decision (‘false positive’) at the expense of a higher probability of making an incorrectly adverse decision (‘false negative’). In this case, favourable decisions could be issued with little or no human involvement, while adverse decisions could be subject to human review, either prior to issue, or via the ‘substituted decision’ mechanism.

The existing Australian regime thus appears to address the questions set out paragraph 4.11 of the Discussion Paper:

- What criteria should an AI system capable of making complex discretionary decisions meet before it is implemented?

- As a practical matter, the primary criterion should be whether or not the benefits of the implementation are likely to exceed its costs. For the foreseeable future, net benefits are only likely to accrue where computerised decisions are likely to go unchallenged. Parties that are negatively affected by an adverse or contentious decision are likely to take advantage of avenues of objection, which will necessitate the involvement of a human decision-maker – possibly at a higher level than would have been required had the decision been made by a human in the first instance.
- How should erroneous decisions be dealt with?
 - The ‘substituted decision’ mechanism in the Australian legislation appears to be a workable model.
- How should appeals against a discretionary decision made by an AI system be dealt with?
 - Again, the Australian legislation appears to provide a good model, whereby in most cases a review of the decision by a human officer would precede any further avenue of appeal.
- Are there any discretionary decisions that should not be delegated to an AI system?
 - It is difficult – and perhaps foolhardy – to predict the future capabilities of computerised decision-making systems. Prescribing the types of decisions that should, or should not, be computerised is therefore unlikely to stand the test of time. As has already been noted, an assessment in any given case of whether the benefits will exceed the costs of computerisation may represent a more robust approach.

○

Responses to the specific questions posed in the Discussion Paper are set out below.

Question A1: What criteria should an AI system have to meet before IPONZ can delegate power to make discretionary decisions to it?

For any computerised decision-making system (whether based on AI or otherwise) a practical criterion is whether the benefits of deploying the system are likely to exceed its costs. A benefit, in terms of efficiency and/or reduction in workload within IPONZ, is unlikely to be realised if decisions made by the system are regularly subject to challenge, requiring human intervention at or above the level of the initial decision.

Computerised decisions are more likely to be challenged if they are adverse and/or contentious. Repeated challenges may also result in reputational damage to, and/or a loss of trust or confidence in, IPONZ.

In order to evaluate the costs and benefits of implementing a computerised decision-making system, it is inherently necessary to be able to make some prediction of its performance, including the proportion of the time it is expected to make decisions that may be subject to challenge. A quantifiable level of confidence in the system’s ability to perform the delegated task is thus a prerequisite for any cost/benefit analysis.

Furthermore, in at least some cases public consultation may be desirable prior to the introduction of a computerised decision-making system, in order to assess such matters as the level of stakeholder acceptance of the proposed system, and the impact that its operation may have on trust and confidence in IPONZ.


Question A2: Who should decide what discretionary decisions IPONZ can delegate to an AI system?

Delegation of discretionary decisions to a computerised system should be a matter for IPONZ, subject to a cost/benefit analysis (including reputational costs) as discussed above.

Question A3: Should there be a requirement for public consultation before discretionary decisions can be delegated to an AI system?

While public consultation may be desirable in some cases, for example in order to assess potential reputational costs of the introduction of a computerised decision-making system, this may not always be necessary. Introducing a mandatory requirement for public consultation may therefore be unduly burdensome upon IPONZ and those stakeholders who may feel that they have an obligation to respond to such consultations.

Yours faithfully



On behalf of the IPTA Council
Institute of Patent & Trade Mark Attorneys of Australia

cc: mail@ipta.org.au

Appendix 1: FICPI Resolution on Double Patenting November 2014



FÉDÉRATION INTERNATIONALE DES CONSEILS
EN PROPRIÉTÉ INTELLECTUELLE
INTERNATIONAL FEDERATION OF
INTELLECTUAL PROPERTY ATTORNEYS
INTERNATIONALE FÖDERATION
VON PATENTANWÄLTEN

Resolution of the Executive Committee, Barcelona, Spain, 2 to 5 November 2014

“Double Patenting”

FICPI, the International Federation of Intellectual Property Attorneys, broadly representative of the free profession throughout the world, assembled at its Executive Committee held in Barcelona, Spain, 2 to 5 November 2014, passed the following Resolution:

Recognising that a fundamental principle underlying the patent system is that an applicant receives a time limited monopoly for the full scope of an invention as disclosed and claimed in one or more patent applications in exchange for disclosing the invention;

Observing that for various legitimate reasons an applicant may wish to pursue two or more patent applications for different variants or embodiments of an invention, for example by filing the applications simultaneously or by filing one or more applications divided or otherwise derived from their previously filed parent application, and the claims of these two or more applications may at least partially overlap in scope, and/or may relate to similar or related subject matter that is not considered to be patentably distinct;

Noting on the other hand that, in some jurisdictions, the patent authorities (patent office and/or courts) raise “double patenting” objections where co-pending applications and/or patents filed by the same applicant contain claims having at least partially overlapping scopes or relating to subject matter that is not patentably distinct, with the objective of avoiding a perceived possible harm to the public or third parties, which it is believed could result from granting the applicant multiple patents claiming similar or related inventions;

Observing that, in direct conflict with the fundamental principle underlying the patent system mentioned above, double patenting rejections may have the detrimental result that an applicant does not receive patent protection for certain variants or embodiments of the invention even though such variants or embodiments have been disclosed to the public in at least one of the patent applications, or the scope of protection obtained by an applicant might not be commensurate with the applicant’s full contribution to the art;

Believing that such resulting detriment to applicants significantly outweighs any perceived possible harm to the public or third parties which may result if multiple patents are granted to the same applicant;



Further noting that the removal of the basis for such a double patenting objection by amending the claims to remove overlap between one patent application and another, or to render the claims of one patentably distinct with respect to the other, can often be difficult or impossible, and, if attempted, can leave substantial gaps in protection provided by the resultant amended claims;

Urges, in jurisdictions including specific provisions that prohibit double patenting:

- (1) that laws should be reviewed and, if necessary, amended in order to limit such provisions only to claims that have identical scope in co-pending applications and/or patents that have been filed by the same applicants, with the same effective filing date; or
- (2) if other types of double patenting objections must continue to be raised, including in circumstances where the claims of the two patents or applications are not patentably distinct or where claims simply overlap, that laws should be reviewed and, if necessary, amended so that an applicant or patentee can overcome the objection by a simple mechanism, such as offering to maintain common ownership between the two patents, without requiring amendment of the claims;

Also urges, in jurisdictions that do not include specific provisions to prohibit double patenting, but where double patenting objections are nonetheless raised:

- (1) that the patent authorities refrain from issuing double patenting rejections, and
- (2) that the patent authorities take steps to ensure that patents are not invalidated based on double patenting.

Appendix 2: Previous Submissions filed by IPTA in 2016

QUESTION 1

MBIE has provided the following Question 1 for response:

Under section 258 of the 2013 Act, applications divided from patent applications made before the entry into force of the 2013 Act are examined under the 1953 Act. The Ministry considers that this approach may be adversely affecting third parties, including local businesses. Do you agree? If not, please explain why.

IPTA clearly recognises that the grant of any patent rights does affect third parties, although this is of course balanced out by the patent system as a whole through encouraging innovation and requiring public disclosure of inventions to those innovators pursuing patent rights. It is worth noting that many “third parties”, including local businesses, are also patent applicants and beneficiaries of the patent system in New Zealand and overseas. It is also considered that any change in practice for divisional applications presents a significantly greater adverse impact on patent applicants than on third parties, and third parties should not be unduly elevated in status to the detriment of patent applicants. IPTA appreciates that a balanced and pragmatic approach may be required in considering changes to the current divisional practice, although any impact on patent applicants needs to be carefully considered.

Reference is made to a WIPO report from 2008

(http://www.wipo.int/ipstats/en/statistics/patents/wipo_pub_931.html#i1), which indicates that New Zealanders are significant innovators and beneficiaries of the patent system. New Zealand has a relatively high number of resident filings per head of population, particularly when compared to overall GDP and R&D expenditure. It is worth noting that some statistics are also provided on oppositions/invalidity proceedings before major patent offices (i.e. USPTO, EPO, JPO, CIPO), and requests to oppose or invalidate appear to represent less than about 1% of patents granted in those jurisdictions. A general review of statistics from IPONZ (<https://www.iponz.govt.nz/about-iponz/facts-and-figures/#raw>) and patent decisions (<http://www.nzlii.org/nz/cases/NZIPOPAT/>) indicates that in a given year approximately 6500 patent applications may be filed in New Zealand with third parties initiating approximately 20-30 patent opposition challenges. The numbers of patent oppositions can be considered to provide an indication regarding impact of patent applications on third parties, and it appears that this impact is relatively low at less than about 0.5% per patent filing. In other words, since the vast majority (99.5%) of patent filings are not challenged by third parties, a change to the divisional filing practice for old Act cases appears much more likely to have a greater impact on patent applicants than third parties. In addition, it is expected that a significant proportion of the 0.5% of patent applications which are currently challenged by third parties, would still be challenged if old Act divisionals were examined and granted under the new Act. Many third party challenges to patent applications are in specific commercially competitive industry areas, and we anticipate that the majority of challenges in such industry areas will continue. Challenges or appeals to the High Court are also cost prohibitive, although in relation to patents, such court actions are very rare with only a few occurring in any given 10 year timeframe. This supports IPTA’s position that although the impact to third parties is a factor for consideration, the impact of any proposed changes on patent applicants should be a particular focus, and IPTA considers it is important not to unduly elevate the significance of third parties over that of patent applicants.

It is appreciated that the Patents Act 1953 (“old Act”) provides a lower patentability standard than that of the Patents Act 2013 (“new Act”), although the old Act has been in force and implemented without significant difficulty for over 60 years. As mentioned above, there has been a relatively low enforcement level and relatively low negative impact on local businesses, and it is considered that if there had truly been a significant problem with divisional practice, it would not have been allowed to continue for such a long period.

Furthermore, there is a very strong argument that it would be unjust to retrospectively apply higher specification support requirements to patent specifications that were prepared and filed on the basis of the lower standards of the old Act, in particular for the life sciences technologies where such differences in support standards have significantly greater impact. In some cases, this may result in situations where a patent application that would have been found valid under the old Act, for which it was drafted, is found invalid under the new Act. IPTA reiterates that there needs to be careful consideration of the significant impact on patent applicants who in many cases could not have anticipated the change in the law at the filing date of their applications.

The MBIE document also refers to the impact on third parties for old Act cases not being examined for inventive step (obviousness). However, inventive step is a ground that is available to third parties under opposition or post-grant revocation. Post-grant revocation before the Intellectual Property Office of New Zealand (IPONZ) is now available at any time after grant, in addition to the courts. This applies to old Act patents with the availability of all revocation grounds including inventive step applied at its normal standard. Therefore, additional options are already available to third parties, and actions before the Patent Office provide a relatively cost-effective mechanism (compared to pursuing an action before the courts) for challenging acceptance and grant of old Act cases. Other options are of course available to third parties, including negotiating a licence, and the above-mentioned small number of invalidly accepted patents, which appear to be rarely enforced in New Zealand, may not present any significant impact to third parties.

IPTA believes that IP rights operate to encourage genuinely innovative and creative output that would not have otherwise occurred. For example, the availability of patent protection provides innovative firms with the confidence to invest in their technologies and develop them to a point where they can be commercially exploited. For many inventions, the cost of developing the invention to a commercial stage, including overcoming and addressing any regulatory barriers, complying with statutory requirements in New Zealand and overseas, addressing safety issues, overcoming any manufacturing difficulties, are so great that many companies would not be prepared to invest in these activities unless they could obtain appropriate exclusive rights in the marketplace to prevent free-riding on their efforts. Without the availability of mechanisms for protecting such IP rights, many of these inventions would remain at the conceptual stage, providing no benefit to the innovators and certainly no benefit to New Zealand or the New Zealand public through the availability of the inventions. IPTA wishes to reiterate that it is not only third parties that will be affected by a change in divisional practice, and the impact of changes on patent applicants should not be overlooked. It is important for MBIE to not unduly elevate the impact of third parties over that of patent applicants. The added costs and difficulty to patent applicants needs to be given full and careful consideration.

Whilst the existence of third party patents can be of concern to local businesses wishing to develop their own technology, many such local businesses are also beneficiaries of the patent system, where patents provide significant assets to those businesses. For many local business including SMEs or start-ups infringement of third party patents is not their major concern. At the beginning of the development of new technology, particularly for pharmaceuticals or biologics, there are years of negative cash flow until the “valley of death” is finally crossed. During this time, there is no profit and therefore, there is little incentive for a third party patent holder to sue the start-up. Later, when the start-up has a significant client base and a working technology, it is rare that the best commercial decision for a third party patent holder is a law suit. Instead, there may be opportunities for licensing, or acquisition of the local business by the third party patent holder. Therefore, the question of whether a start-up company’s technology infringes a patent is usually not the main concern. Instead, the main purpose of a patent or patent application for local businesses is to serve as an asset, which can be used in negotiations. Changes to the divisional practice may adversely impact on the patent assets of local business, and this needs to be an important factor for MBIE’s consideration.

QUESTION 2

MBIE has provided the following Question 2 for response:

The Ministry has identified three options (including no change) for dealing with the potential problems identified in relation to section 258 of the 2013 Act. Are there any other options you think should be considered? If so, please describe them.

Unless problems associated with new Act divisional applications are addressed, IPTA considers that Option 1 (no change) provides the only rational and fair option available. It is considered that any implementation of Option 3 must first address the problems associated with all new Act divisional applications, namely removal of the 5 year cap for requesting examination that unduly restricts the genuine practice of patent applicants in pursuing patent protection, addressing poisonous priority (whole of contents novelty self-collision between parent/divisional) by introducing anti-collision provisions and allowing partial/multiple priorities for individual claims, and addressing strict interpretation around double patenting (any overlap in claim scope between parent/divisional) that is contrary to original policy intent including any interpretation that the perfection of double patenting at the time of filing a divisional application may present an invalid filing if later challenged by a third party.

Option 2 does not meet International obligations and unduly harms the rights of patent applicants, and IPTA is firmly opposed to such an option.

IPTA therefore considers that other than Option 1, a modified Option 3 could be considered but only if the above mentioned problems for all new Act divisional applications are also addressed concurrently with the implementation of Option 3.

QUESTION 3

MBIE has provided the following Question 3 for response:

MBIE's preferred option is Option 3. Do you agree that this is the best option? If not, which option do you prefer? Please explain why.

As mentioned above, unless problems associated with new Act divisional applications are addressed, IPTA considers that Option 1 (no change) provides the only rational and fair option available. Any implementation of Option 3 must first address the problems associated with all new Act divisional applications, which are commented on in further detail as follows.

IPTA has identified the following four significant problems associated with all new Act divisional applications that it considers needs to be addressed (regardless of the proposed change in the divisional filing practice of old Act cases):

- i. **5 year bar for requesting examination** under regulation 71 of the *Patents Regulations 2014* unduly restricts the genuine practice of patent applicants and should be removed;
- ii. **poisonous priority** (whole of contents novelty self-collision between parent/divisional) should be addressed by introducing anti-collision provisions and allowing partial/multiple priorities for individual claims;
- iii. **strictness of double patenting** (any overlap in claim scope between parent/divisional), which is contrary to original policy intent; and
- iv. **perfection of double patenting at the time of filing** a divisional application to be clarified in the regulations as not being a filing requirement.

Further comments and details regarding the above problems are provided below in response to Question 5.

QUESTION 4

MBIE has provided the following Question 4 for response:

What should the specified date be after which the restrictions on filing 1953 Act divisional applications set out in options 2 or 3 will apply? Please explain why you think this date should be adopted.

IPTA considers that if Option 3 is adopted (which it is opposed to unless the above problems regarding divisional applications are addressed) then sufficient time needs to be provided to complete current prosecution of pending applications while allowing a decision to be made regarding the filing of a divisional application. A delay of about 18 months as the specified date would be the minimum time to provide the patent applicant with the option to pursue acceptance of the pending application in its total allowed timeframe (essentially a minimum of 18 months under Section 19 of the Patents Act 1953) during which the patent applicant can consider its divisional filing options in view of the examination of the pending application, as it is currently entitled under the Patents Act 1953. Any “specified delay” that is less than 18 months would not only apply a retrospective new patentability threshold on the patent applicants, but would also unduly restrict the ability to fairly complete the prosecution of its current pending applications.

QUESTION 5

MBIE has provided the following Question 1 for response:

Are there any problems in relation to divisional patent applications other than in section 258 of the 2013 Act that you consider should be addressed by MBIE? If so, please describe the issue and why you consider them to be a problem?

As mentioned above, IPTA has identified the following three significant problems associated with all new Act divisional applications that it considers needs to be addressed (regardless of the proposed change in the divisional filing practice of old Act cases):

- i. **5 year bar for requesting examination** under regulation 71 of the *Patents Regulations 2014* unduly restricts the genuine practice of patent applicants and should be removed;
- ii. **poisonous priority** (whole of contents novelty self-collision between parent/divisional) should be addressed by introducing anti-collision provisions and allowing partial/multiple priorities for individual claims;
- iii. **strictness of double patenting** (any overlap in claim scope between parent/divisional), which is contrary to original policy intent; and
- iv. **perfection of double patenting at the time of filing** a divisional application (any overlap in claim scope between parent/divisional) to be clarified in the regulations as not being a filing requirement.

i. BAR ON REQUESTING EXAMINATION

IPTA considers the 5 year bar for requesting examination (REX) under regulation 71 of the Patents Regulations 2014 unduly restricts the genuine and legitimate practice of patent applicants and should be removed for all divisional applications filed under the new Act.

The removal of the examination limitation on new Act divisional applications would also remove the legal oddity that enables a divisional application to be filed but not for examination to be requested, which essentially provides a form of zombie divisional oddity that does not in any other country.

IPTA considers that as required under International obligations, it has been a long established and legitimate practice in New Zealand, and essentially in all other countries, to provide the flexibility of filing a divisional application so that the patent applicant can maintain rights over the subject matter of its application whilst particular claims are being examined and pursued for grant. Reference to “daisy-chained” divisional applications by MBIE at paragraph 35 in the consultation document appears to place such a practice in a pejorative sense. Patent specifications may legitimately

describe one or more inventions, and the practice of filing divisional applications is routinely permitted at least at some stage during prosecution of a parent application in all other main jurisdictions. Examination including new prior art may impact such that unity is lost for even a “single invention” specification, and the new prior art may then impact to split that single invention into multiple inventions that should be legitimately allowed to be pursued in a divisional application without an indiscriminate time restriction. New prior art can be identified and cited by the Examiner at any stage during examination, and therefore an indiscriminate bar to filing divisional applications in these circumstances where unity is at issue jeopardises the fundamental right of the patent applicant for which the patent system has been established. The filing of divisional applications provides a legitimate and genuine practice to protect the rights of a patent applicant when publicly disclosing the invention and pursuing examination and grant of an invention, the patentability thresholds of which have been significantly raised under the new Act. We would also highlight that, for many local businesses and start-ups who are seeking patent protection for their technology, availability of funds is a significant issue. It is clearly undesirable that, as a result of the current system, such applicants may either have to incur additional costs at an early stage to gain protection for all aspects of their technology by filing multiple divisional applications to anticipate potential examination objections (which may or may not arise), or otherwise have to give up the prospect of being able to obtain protection for inventions. Although a few patent applicants may maintain a divisional application pending for other strategic reasons, such a minority practice by a few should not outweigh a legitimate and essential divisional filing practice required by all other genuine innovators and patent applicants.

ii. POISONOUS PRIORITY (SELF-COLLISION)

Poisonous priority (whole of contents novelty self-collision between parent/divisional) needs to be addressed, for example by introducing anti-collision provisions and allowing partial/multiple priorities for individual claims.

A self-collision (poisonous priority) problem can exist when filing divisional applications under the Patents Act 2013. Self-collision arises between parent and divisional applications where the parent specification presents a whole of contents novelty document against the divisional claims (and the divisional specification can also present a whole of contents novelty document against the parent claims). This is particularly problematic where subject matter has been added into the complete specification that was not present in the original provisional specification. This problem arises because New Zealand requires that each claim can only have a single priority date, and consequently any added subject matter in the claim in question that loses priority then becomes exposed to the impact of the whole of contents novelty from the parent/divisional specification. A divisional application operating under the new Act, where the parent application operates under the old Act, may also result in priority dates for the claims between the parent and divisional being different. Consequently, divisional applications filed under Option 3 can also lead to self-collision (poisonous priority) problems that unfairly impact on the patent applicant, and for which Option 1 would avoid.

Test for priority under the Patents Act 1953

In accordance with Section 11, for the claims of a patent to have a valid priority date under the *Patents Act 1953*, they must be fairly based on disclosures in the document from which priority is claimed (i.e. the provisional or basic application).

The relevant test under New Zealand practice to determine whether the claims in a complete specification are fairly based on the provisional specification (i.e. external fair basis) under the *Patents Act 1953* was established in *Mond Nickel Co Ltd's Application [1956] RPC 189*. Specifically, Mond Nickel established a three-stage test for priority assessment:

- Is the alleged invention as claimed broadly described in the provisional specification?
- Is there anything in the provisional specification that is inconsistent with the alleged invention as claimed?

- Does the claim include, as a characteristic of the invention, a feature on which the provisional specification is wholly silent?

It was subsequently clarified in Imperial Chemical Industries Ltd's Patent Application [1960] RPC 223 that the term "broadly described" means "in a general sense".

Test for priority under the Patents Act 2013

The *Patents Act 2013* introduced a new "support" test for priority to replace the previous fair basis test under the *Patents Act 1953*; that is, the priority date of a claim under the *Patents Act 2013* is the filing date of the patent application that disclosed the matter that supports the claim (Sections 57-62).

Additionally, under Sections 57-62 the *Patents Act 2013* appears to require that an individual claim can have a single priority date only. As such, for applications claiming priority from two or more basic applications, and where the earlier application fails to disclose the matter that supports a given claim, then it appears that the claim in question will assume the priority date of the later application.

While the stricter support test for priority is intended to align New Zealand practice more closely with the standards currently applied in other jurisdictions, the new standard is yet to be the subject of judicial review and as such, it remains to be seen how this test will be applied by the New Zealand Courts.

Poisonous priority under the Patents Act 2013

The term, "poisonous priority", is a relatively recent term used to describe the situation where a claim in a patent or application is found to be anticipated by the application from which it claims priority or, in the case of a divisional application, where a parent application is found to be anticipated by its divisional or vice versa.

Under the *Patents Act 2013* it appears that an individual claim can only have a single priority date, and that date will be the date upon which all of the subject matter within the claim was first disclosed. Accordingly, in the case of multiple or partial priorities, the priority date of the claim will be the later of the various dates. New Zealand has also adopted a "whole of contents" approach to the assessment of novelty to replace the prior claiming approach of the previous *Patents Act 1953*. The result is that the filing of a divisional application can immediately create novelty destroying prior art for any claim in the parent patent which relies on multiple or partial priorities. Similarly, any claim in a divisional application which relies on multiple or partial priorities can be anticipated by the parent patent.

Option 3 will lead to patents and applications in the same family being subject to different tests for priority entitlement (i.e. fair basis vs support) and the same subject matter (for the purpose of identifying whole of contents prior art) may be entitled to different priority dates. This will seriously complicate any attempt to overcome the poisonous priority problem, since allowing claims to derive priority from more than one source will only intensify the problem.

Notwithstanding the above comments regarding Option 3, it is considered by IPTA important to also introduce additional protection against self-collision for parent applications and their divisionals. Any consideration otherwise would be unfortunate, since it is anticipated that the Enlarged Board of Appeal of the EPO will soon confirm (before the end of November 2016) that Article 88(2) second sentence of the EPC (the provision that allows a claim to have more than one priority date) provides a complete solution to poisonous priority in a whole of contents novelty regime.

iii. STRICTNESS OF DOUBLE PATENTING

IPTA understands that the policy intention for the *Patents Act 2013* was never to establish a double patenting standard at such a strict level as to require no overlap whatsoever between the claims of a parent application and its divisional application. The words “substantially the same” in r52(3) are at issue. IPTA understands that in proposing amendments to r23 of the *Patents Regulations 1954* for the *Patent Regulations 2014*, the Cabinet Paper prepared by MBIE expressed the intention that the regulation should be updated to reflect the Whitehead decision which held that amendment should only be required where one set of claims fell wholly within the scope of the other. However, the wording of r52 as enacted does not reflect this intention nor achieve what Cabinet intended. The use of the words “substantially the same” in r52(3) seems to directly contradict the intended application of the Whitehead decision.

IPTA considers that such a strict interpretation of double patenting unfairly restricts the legitimate practice of genuine innovators seeking patent protection, and is contrary to the original intention of the Cabinet. IPTA considers that this issue should be addressed in its own right such that the regulations are amended and clarified to properly represent the original policy intent. This further highlights the problems faced by patent applicants with new Act divisionals and why Option 3 would further unfairly impact on patent applicants by retrospectively applying such a fundamentally different divisional filing practice on many levels for new Act divisionals.

It is also noted that FICPI passed a Resolution of the Executive Committee, Barcelona, Spain, on 2-5 November 2014, that the International Federation of Intellectual Property Attorneys,

Recognising that a fundamental principle underlying the patent system is that an applicant receives a time limited monopoly for the full scope of an invention as disclosed and claimed in one or more patent applications in exchange for disclosing the invention;

Observing that for various legitimate reasons an applicant may wish to pursue two or more patent applications for different variants or embodiments of an invention, for example by filing the applications simultaneously or by filing one or more applications divided or otherwise derived from their previously filed parent application, and the claims of these two or more applications may at least partially overlap in scope, and/or may relate to similar or related subject matter that is not considered to be patentably distinct;

Noting on the other hand that, in some jurisdictions, the patent authorities (patent office and/or courts) raise “double patenting” objections where co-pending applications and/or patents filed by the same applicant contain claims having at least partially overlapping scopes or relating to subject matter that is not patentably distinct, with the objective of avoiding a perceived possible harm to the public or third parties, which it is believed could result from granting the applicant multiple patents claiming similar or related inventions;

Observing that, in direct conflict with the fundamental principle underlying the patent system mentioned above, double patenting rejections may have the detrimental result that an applicant does not receive patent protection for certain variants or embodiments of the invention even though such variants or embodiments have been disclosed to the public in at least one of the patent applications, or the scope of protection obtained by an applicant might not be commensurate with the applicant’s full contribution to the art;

Believing that such resulting detriment to applicants significantly outweighs any perceived possible harm to the public or third parties which may result if multiple patents are granted to the same applicant;

Further noting that the removal of the basis for such a double patenting objection by amending the claims to remove overlap between one patent application and another, or to render the claims of one patentably distinct with respect to the other, can often be difficult or impossible, and, if attempted, can leave substantial gaps in protection provided by the resultant amended claims;

Urges, in jurisdictions including specific provisions that prohibit double patenting:

(1) that laws should be reviewed and, if necessary, amended in order to limit such provisions only to claims that have identical scope in co-pending applications and/or patents that have been filed by the same applicants, with the same effective filing date; or

(2) if other types of double patenting objections must continue to be raised, including in circumstances where the claims of the two patents or applications are not patentably distinct

or where claims simply overlap, that laws should be reviewed and, if necessary, amended so that an applicant or patentee can overcome the objection by a simple mechanism, such as offering to maintain common ownership between the two patents, without requiring amendment of the claims;

Also urges, in jurisdictions that do not include specific provisions to prohibit double patenting, but where double patenting objections are nonetheless raised:

- (1) that the patent authorities refrain from issuing double patenting rejections, and
- (2) that the patent authorities take steps to ensure that patents are not invalidated based on double patenting.

iv. PERFECTION OF DOUBLE PATENTING AT DIVISIONAL FILING

There appears to be a lack of clarity in the regulations regarding a possible requirement that double patenting (any overlap in claim scope between parent/divisional) must be perfected at the time of filing a divisional application.

The provisions in issue are s34(1) Patents Act 2013 and r52(3) Patents Regulations 2014:

34 Divisional applications

- (1) If a patent application has been made (but has not become void or been abandoned) (the **parent application**), the applicant may, in the prescribed manner, make a fresh patent application for any part of the subject matter of the parent application (the **divisional application**).

52 Divisional applications

- (1) If an applicant makes a divisional application under section 34 of the Act, the applicant must state that the application is a divisional application within the meaning of section 34 and give the application number of the parent application.
- (2) A request for the Commissioner to direct that the divisional application or a complete specification for that application (or both) be given an earlier filing date must—
 - (a) be made at the time the divisional application is filed; and
 - (b) specify the earlier filing date that is requested for the divisional application or complete specification (or both).
- (3) The prescribed manner in which an application may be made for the purpose of section 34(1) of the Act is as follows:
 - (a) the divisional application must not include a claim or claims for substantially the same matter as claimed in the parent application; and
 - (b) the parent application must not include a claim or claims for substantially the same matter as claimed in the divisional application.

The meaning and use in the *Patents Act 2013* and *Patent Regulations 2014* of “prescribed manner” and “proper form” are also at issue. The use of “prescribed manner” is arguably used in the context of it being mandatory and not “optional” in relation to any a filing requirement, such as any overlap in substantially the same subject matter claimed between a divisional application and its parent at the specific time of filing the divisional application.

Regulation 19 also provides the following requirement for “proper form”:

19 Document filed when received in proper form

- (1) A document is filed when it is received in proper form.
- (2) A document is in proper form only if—
 - (a) it is legible; and
 - (b) it complies with the requirements of the Act and these regulations; and
 - (c) it is accompanied by the prescribed fee or penalty, if any.

Regulation 19 appears to be a strict provision that makes it clear that a document is only “filed” when it is received in “proper form”. Regulation 19(2)(b) also specifies that a document is only in “proper form” if “it complies with the requirements of the Act and these Regulations”. In other words, arguably only if it is in the prescribed manner.

There also does not appear to be any discretion to consider documents filed even if not “in proper form”. This is unlike New Zealand’s High Court Rules, where a failure to comply with the requirements of the rules specifically does not nullify “any step taken in the proceeding” or “any document” (r 1.5).

It is therefore possible that the courts might interpret the above provisions to require double patenting to be perfected at the time of filing a divisional application, and addressing any overlap in scope between the divisional and parent claims during examination might not be sufficient to avoid the divisional application later being held to have been invalidly filed and effectively void if challenged by a third party.

In view of the above, IPTA therefore considers that the Act and Regulations should be clarified to ensure the above possible interpretation would not have any prospects of success if raised under challenge by a third party to an accepted divisional application filed under the *Patents Act 2013*.

CONCLUSION

Unless problems associated with new Act divisional applications are addressed, IPTA considers that Option 1 (no change) provides the only rational and fair option available. Any implementation of Option 3 must first address the problems associated with all new Act divisional applications, which include the 5 year bar for requesting examination under regulation 71 of the *Patents Regulations 2014*, poisonous priority (whole of contents novelty self-collision between parent/divisional), clarifying that perfection of double patenting (no overlap in claim scope between parent/divisional) is not a requirement at the time of filing, and aligning the double patenting requirement to that of the original intention of the Cabinet.

IPTA thanks the MBIE for this opportunity to comment on the document. If the MBIE has any questions in relation to the observations and comments above, please contact the undersigned.

