

INTELLECTUAL PROPERTY LAWS AMENDMENT BILL.

**Patents Act 2013, Trade Marks
Act 2022, Designs Act 1953**

Submissions of James & Wells

2 August 2019

1. This submission is made on behalf of James & Wells in response to the questions and proposals in the Discussion Paper on possible changes to the Patents Act 2013, Trade Marks Act 2002 and Designs Act 1953.
2. If MBIE has any questions about any of our submissions, or would like to discuss any of the issues raised in the submissions with us, we would be happy to do so.

About James & Wells

3. James & Wells was founded in 1979 with a particular focus on servicing the intellectual property requirements of regional clients in New Zealand.
4. James & Wells currently operates offices from four centres throughout New Zealand (Auckland, Hamilton, Tauranga and Christchurch).
5. James & Wells' client base includes New Zealand companies of different sizes across a huge variety of industries to whom we provide advice for obtaining patent rights in New Zealand, Australia and overseas. We also have many overseas clients to whom we provide advice on obtaining patent rights in New Zealand and Australia. Of relevance to the proposals commented on in these submissions, one of our overseas clients is ResMed Limited, a competitor to Fisher & Paykel Healthcare Limited, the New Zealand company referred to in paragraphs 50-56 of the Discussion Paper.

Patents Act 2013

DIVISIONAL PATENT 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.

6. **No, we do not agree with the proposed amendment 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 [...] These will be applied using the “balance of probabilities” approach taken in the 2013 Act.”*

Comparison of 1953 Act and 2013 Act Provisions

7. Currently, applications examined under the 1953 Act are examined for novelty but not inventive step, although lack of inventive step is a ground upon which a granted patent can be revoked. 1953 Act applications are also examined for “fair basis”, i.e. that the invention claimed is fairly based on the disclosure in the patent specification. Under the 2013 Act, applications are examined for novelty, inventive step and “support”, i.e. that the invention claimed is supported by the disclosure in the patent specification. The “support” requirement of the 2013 Act is a higher standard than the “fair basis” requirement of the 1953 Act.

Retrospective Legislation and Lack of Fairness

8. It is a fundamental constitutional principle of New Zealand law that legislation should not act retrospectively¹. Retrospective legislation can be considered *ultra vires* as per section 7 of the Interpretation Act 1999, which states that an enactment does not have retrospective effect. The proposed amendment would be retrospective because patent applications filed under earlier laws would become subject to law changes made after those applications were filed.
9. Such a retrospective change would be unfair to applicants. It would mean that applicants who have filed patent applications under one law, which examines patent applications according to one set of criteria, would now have their patent applications examined under a different set of criteria and to a higher standard. The intention to change the law in this way was not signalled to those applicants at the time they decided to file.
10. In particular, we believe the proposal to require a 1953 Act divisional application to meet the “support” requirements of the 2013 Act will be highly prejudicial to applicants who have prepared applications to meet the “fair basis” requirement of the 1953 Act.
11. Paragraph 53 of the Discussion Paper recognises the concerns of submitters that it would be unfair to apply the support requirements in the 2013 Act to 1953 Act applications drafted to comply with

¹ Legislation Design and Advisory Committee, *Legislation Guidelines: 2018 Edition*, Chapter 4, part 7: <http://www.ldac.org.nz/guidelines/legislation-guidelines-2018-edition/constitutional-issues-and-recognising-rights/chapter-4/part-7/>

the less strict “fair basis” requirement of the 1953 Act. However, paragraph 70 of the Discussion Paper states: *“The requirement that 1953 Act divisional applications must meet the 2013 Act support requirements should not significantly disadvantage applicants.”* The rationale provided for this conclusion is: *“The vast majority of patent applications filed under the 1953 Act will have also been filed in other countries whose patent legislation has long included requirements similar to the support requirements of the 2013 Act. As a result these applications are likely to already comply with the 2013 Act’s support requirements.”*

12. We have considerable experience working with a range of New Zealand businesses of differing sizes and resources. In our experience the majority of those business do not file corresponding patent applications in jurisdictions which apply a support requirement. Therefore, even if the statement is true, it is only true for a small proportion of users of the IP system from New Zealand. The remainder (predominantly sole traders and SMEs) will be severely disadvantaged by the change and at a competitive disadvantage vis-à-vis better resourced New Zealand companies and overseas users of the NZ patent system.

Inventive Step and 1953 Act Applications

13. Paragraph 47 of the Discussion Paper, in articulating the perceived problem with the current transitional provisions, notes that: *“[T]he invention described in a 1953 Act application does not have to have an inventive step in order to be accepted and a patent granted. This means that it is possible under the 1953 Act for patents to be granted for inventions that are mere obvious variations on what already exists.”* If the purpose of amending the transitional provisions is to reduce the likelihood of patents being granted for obvious inventions, the introduction of examination for inventive step of 1953 Act divisionals would satisfy this purpose. However, patents granted under the 1953 Act are already susceptible to re-examination and revocation on the ground of obviousness/lack of inventive step under section 41(1)(f) of the Patents Act 1953, i.e. applicants of 1953 Act applications are already aware that inventive step is a requirement for validity of a patent granted on those applications.
14. We suggest that, if the transitional provisions are to be amended to allow for examination of 1953 Act divisional applications for inventive step, this should be under the ground in section 41(1)(f) of the Patents Act 1953, i.e. the requirement for an invention to involve an inventive step having regard to what was known or used before the priority date. This would ensure that such divisional applications would not be accepted without the issue of obviousness having been considered.

Support

15. The Discussion Paper has not explained why the proposal also introduces the support requirement to the examination of 1953 Act divisionals. As noted above, this requirement is unfair to applicants who have applied for rights in good faith under the 1953 Act. The support requirement is alien to the Patents Act 1953; the proposed amendment retroactively imposes a requirement which could not be contemplated at the filing date.
16. Furthermore, the Discussion Paper does not indicate whether the “support” requirement for divisional applications would also apply to assessing the priority date of a claim filed with a 1953 Act application under the transitional provisions. In our view, the test for assessing the priority date of a

claim should be the same as the test for enablement of a claim, and these should both remain as the “fair basis” test for 1953 Act applications. To do otherwise may result in a situation where a parent application has a priority date assessed under fair basis and a divisional application has a priority date assessed for support. This will cause issues since the 2013 Act has a whole-of-contents approach to novelty.

Burden of Proof

17. Similarly, the Discussion Paper offers no explanation for the proposed application of the “balance of probabilities” approach to examination of the identified requirements in 1953 Act divisional applications. Paragraph 64 of the Discussion Paper simply states: *“It may be difficult to enforce the 2013 Act requirements if applicants must be given the benefit of the doubt.”* No further rationale is provided. We disagree that the 2013 Act requirements are difficult to enforce under the benefit of the doubt standard. There is no reason why the benefit of the doubt standard cannot apply to assessments of inventive step and support.
18. Further, it is unclear as to whether the “benefit of the doubt” approach will continue to apply to other areas of examination of 1953 Act divisional applications, i.e. whether during examination both the “balance of probabilities” and the “benefit of the doubt” approaches will be applied to different grounds of examination. Until this is clarified full consideration cannot be given to the potential implications of such an approach.

Prior Submissions from Attorneys

19. Paragraph 57 of the Discussion Paper suggests that submissions on this issue that were received previously from patent attorneys or lawyers are provided from the stance of what benefits New Zealand patent applicants. Our firm provided submissions on this issue previously. As well as acting for New Zealand patent applicants, we also act for New Zealand-based businesses who need to understand their freedom to operate in light of New Zealand patents, and our submissions take into account clients on both the patentee and potential infringer side of the debate. We suspect the same will be true for other attorneys and lawyers filing submissions on this and other issues.

Post-Grant Amendments of Patents Granted under the 1953 Act

20. We are aware that IPONZ requires that post-grant amendments must meet the requirements of support prescribed by the 2013 Act. This is acceptable for rights accepted and granted under the Patents Act 2013. However, IPONZ is also applying the standard of support in considering the allowability of post-grant amendments for patents granted under the 1953 Act. This is on the basis that regulation 87(c) requires that any application for a post-grant amendment must include a statement indicating which passages of the specification “support” the amendment(s).
21. For the same reasons as set out in paragraphs 8 to 12 above, this approach prejudices patentees as specifications prepared to meet the standards of the 1953 Act are being subjected to the higher burden of support. We are aware of at least one case in which a patentee represented by our firm has had to request a hearing to resolve objections to the allowability of amendments due to a dispute as to whether the specification meets the requisite standard of support. We doubt this is an isolated case and expect the problem to be an ongoing one.

22. We recommend that the 2013 Act and Patent Regulations 2014 be amended to clarify that the provisions of regulation 87(c) do not apply to a request for post-grant amendments of a patent granted under the 1953 Act. This may be achieved by adding an additional clause to regulation 87 stating “Regulation 87(c) does not apply to a request to amend a patent granted under the Patents Act 1953”.

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.

23. **No, we do not agree with MBIE’s assessment of the potential problems caused by “daisy-chaining” of divisional patent applications – especially under the existing provisions of the Patents Act 2013 and Patent Regulations 2014.**

Daisy-Chaining Already Limited Under the 2013 Act

24. Paragraph 73 of the Discussion Paper acknowledges that the current scheme of the 2013 Act means that “***divisional patent applications cannot be daisy-chained indefinitely.***” The Patents Act 2013 and Patent Regulations 2014 already delimit the pendency of a patent family pending under the Patents Act 2013 to a maximum of five years from the filing of the complete specification, plus the time to examine those applications (which is in turn delimited by the setting of the acceptance deadline in the first examination report and hence is something within IPONZ’s control).
25. The Discussion Paper, in paragraph 110, indicates that there is no intention to change the current five-year time limit for filing requests for examination for applications which are not divisional applications. In doing so, MBIE inherently acknowledges that a period of five years, plus the examination period, is acceptable in terms of the uncertainty to the public as to what patent rights may ultimately be accepted for grant in a patent family.
26. In view of this, the starting point for formulation of the alleged problem in paragraph 84 of the Discussion Paper appears to be entirely at odds with the status quo. This paragraph states: “*Daisy-chaining can be a problem because it allows an originally filed parent application to be kept **pending for long periods of time, potentially for up to twenty years from the date the original parent application is filed**, by making a series of divisional applications. After twenty years the term of any patents granted on the divisional applications would expire, so there would be no point in making further divisional patent applications.*” This statement can only be true for 1953 Act divisional applications and is incorrect for divisional applications filed under the 2013 Act.
27. Any amendment to the 2013 legislation to address this purported issue is at significant risk of introducing unintended consequences for no perceivable benefit. As per the “Legislation Guidelines: 2018 edition” published by the Legislation Design and Advisory Committee: “*Well-intentioned legislation may have unintended consequences. The highest risk is often [...] legislation that does wrong unintentionally or overreaches carelessly.*”
28. Relevantly, there are already questions as to the legality of the five-year deadline imposed by IPONZ through the Patents Regulations 2014. Regulation 71 has the potential to contravene New Zealand’s obligations under Article 4G(1) of the Paris Convention, which states: “*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.” If the deadline set by regulation 71 expires prior to examination, the applicant is effectively denied the opportunity to divide the application in response to said examination in contravention of Article 4G(1). Additional changes to further curtail the filing of divisional applications in response to examination increases the likelihood of the legislation failing to meet obligations under Article 4G(1).

Benefits of Daisy-Chaining

29. In paragraph 90 of the Discussion Paper, MBIE invites identification of any benefits to the New Zealand economy from permitting daisy-chaining of divisional patent applications. It is firstly noted that the effects of the alleged potential problems with daisy-chaining set out in the Discussion Paper have not been substantiated, i.e. it has not been shown that the alleged problems do have any detrimental effects on the New Zealand economy. The scenarios presented may actually benefit the New Zealand economy. For example, a local business maintaining pending patent rights for long periods of time may have a greater likelihood of becoming established in the face of overseas competition, and may use its pending rights to incentivise collaboration or investment from such parties. This will have the effect of incentivising local innovation.
30. As discussed further below, there are also benefits to avoiding unintended consequences of restricting daisy-chaining of divisional applications, which this firm believes will be a significant increase in the number of 1953 Act divisional applications filed in response to the proposed legislative change. Conversely, maintaining the status quo may actually reduce the burden on IPONZ in terms of examination and hearing caseloads, and result in greater certainty to the public as to the extent of rights in a particular patent family.
31. While we consider questions P3 and P4 to be moot in view of the absence of an actual issue, our submissions on these topics are provided below.

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.

32. **No, we do not agree with MBIE’s preferred option for dealing with the purported issue of ‘daisy-chained’ divisional patent applications.** We believe MBIE’s preferred option is highly likely to have unintended consequences for various stakeholders, including patent applicants, the public, and IPONZ.

Repeal of Similar Provisions in Australia and Europe

33. MBIE will be aware of recent law changes relating to restrictions on divisional applications in Australia and to the European Patent Convention, which were reversed after it became clear that these were unworkable. Israel is another jurisdiction in which restrictions on daisy-chained divisional applications were made and then rescinded. The preferred option is therefore in direct contrast to previously stated objectives for greater harmonisation with patent law of New Zealand’s major trading partners and has been shown not to work in other jurisdictions.

34. In each of these jurisdictions, the reversal of the restrictions came after it was determined that they had a number of undesired effects and did not deliver the advantages the change was implemented to achieve. Primarily among these negative effects was a significant increase in the number of divisional applications filed. For example, the number of divisional applications filed with the European Patent Office more than tripled between 2009 and the 2010-11 year – which resulted in significant burdens on the respective patent offices, and greater legal uncertainty for others. Similar effects can be expected in New Zealand under the proposed option, with potential consequences for patent applicants, the public, and IPONZ discussed further below.

Proposals Differ from UK

35. The Discussion Paper points towards the United Kingdom (UK) as an example of a jurisdiction implementing a comparable approach to MBIE's preferred option. Paragraph 99 of the Discussion Paper states (**emphasis added**): *“One way of implementing this would be to require all divisional applications to be in order for acceptance on the same date as the original parent application. **This is the approach taken in the United Kingdom¹¹ ... ¹¹ See Rule 30(3)(b) of the UK Patents Rules 2007.**”* Paragraph 100 states: *“If this approach was taken in New Zealand, under the current provisions of section 71(1) of the 2013 Act and Regulation 80 of the Patent Regulations 2014, all divisional applications would have to be in order for acceptance within 12 months of the date of issue of the first examination report on the original parent application”.*
36. The Discussion Paper implies that the approach proposed by MBIE is the same as in the UK. This is not correct. In the UK, the compliance period (i.e. the acceptance deadline) of a divisional application is that of the original parent application. However, the compliance period for a UK patent application is four years and six months after the earliest priority date (Rule 30.2.a), **or** twelve months after issuance of the first substantive examination report **if it expires later** (Rule 30.2.b). Currently, examination delays in the UK are such that the twelve-month period almost always expires later so, in practice, UK applicants have at least four years and six months after the earliest priority date to put divisional applications in order for acceptance and in most cases much longer than that. In comparison MBIE proposes a time frame of 12 months to take the same step in New Zealand. The provisions in place in the UK are not equivalent to legislating that the acceptance deadline for all divisional applications is that of the original parent application regardless of when the first examination report issues.
37. There are other relevant differences between NZ and UK. NZ and UK patent examination is not harmonised in terms of extensions of the compliance period. The UK provides for an “as of right” two-month extension of time of the compliance period under Rule 108(2), which is not available in New Zealand under the Patents Act 2013. The UK also provides for extension of the compliance period for the purposes of filing a divisional application at the discretion of the comptroller under Rule 108(3), for example as exercised in BL O/660/17 *Cummins-Allison Corp.*, 21 December 2017. The same discretion is not available under MBIE's proposal. These differences have implications for unintended consequences resulting from implementation of MBIE's preferred option. Such consequences are likely to include: an increase in the numbers of divisional applications filed, as was observed in Australia and Europe; and an increased need for examination hearings.

Applicants Should Retain Ability to File Divisional Applications Following Unity Objections

38. Paragraph 97 of the Discussion Paper acknowledges that restricting the applicant's ability to pursue divisional applications in response to a lack of unity objection is a problem with option (ii) as presented. Paragraph 101 states the preferred option: "[F]urther satisfies factor (iii), as applicants could still file divisional applications in response to examiners' objections, or on their own initiative." However, for the reasons discussed below, we do not believe that the preferred option properly allows for this, and therefore does not satisfy factor (iii).
39. We also believe there is considerable risk of applicants being denied the opportunity to pursue and secure grant of divisional applications in direct response to matters arising from examination by IPONZ. For example, a lack of unity objection may identify multiple groups of inventions, or a novelty/inventive step objection may identify different dependent claims which would place the application in order for acceptance if introduced into the independent claim(s). If raised late in the acceptance period (or, in the event of examination delays by IPONZ, after the acceptance period), an applicant may be effectively barred from securing the full breadth of rights available to them, even if they were in agreement with the examiner's objections. While the acceptance period could be extended under section 230 this relies on the Commissioner exercising their discretion. This creates significant uncertainties for applicants as to whether that discretion will be exercised, meaning they may follow courses of action to try to avoid relying on this discretion, for example filing additional divisional applications or seeking hearings.
40. Applicants being denied the opportunity to pursue and secure grant of divisional applications in direct response to matters arising from examination by IPONZ would be in contravention of New Zealand's obligations under Article 4G(1) of the Paris Convention, which states: "*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.*" It is noted that the now-reversed European approach allowed for filing of such "mandatory" divisional applications resulting from non-unity objections during examination, outside the two-year limitation on filing of "voluntary" divisional applications (which was triggered by issuance of the first examination report on the original parent). We do not believe there should be any restriction on daisy-chaining divisional applications but, if there is to be one, we say there must be a provision that allows divisional applications to be filed in response to unity of invention objections.
41. Paragraph 102 of the Discussion Paper refers in passing to setting a deadline for filing divisional applications in advance of the acceptance deadline to ensure a first examination report may issue before the deadline. Reference is made to Rule 19(2)(b) of the UK Patents Rules 2007 as an example of this. Again, it is noted that the compliance period in the UK is extendible by two months, i.e. to a total of 14 months. Also, this does not address the issue arising where, after that deadline, an examination report issue that raises a lack of unity objection, or cites prior art that results in multiple inventive concepts being identified.
42. We believe the current legislation should be revised in order to explicitly permit divisional applications to be filed after the five-year deadline of regulation 71 in response to unity of invention objections to ensure New Zealand legislation meets the requirement of Article 4G(1) of the Paris Convention. A suitable amendment to regulation 71(a) may be: "*for a divisional application, within 5*

years of the date that the complete specification for the divisional application is filed or treated as having been filed, whichever is the earlier, or if the divisional application is filed in response to a unity of invention objection, within twelve months of the date the unity of invention objection was first raised”.

Issues with IPONZ Resourcing

43. Further, the preferred option as presented is highly dependent on IPONZ resourcing. As of 11 July 2019, IPONZ guidance for the expected period between the receipt of a request for examination and the issuance of the first examination report varies from four to six months depending on the technology class. Even divisional applications in the case of the technology class for which examination occurs fastest, a unity objection in a first examination report on the original parent leaves only have eight months to place the application in order for acceptance. For technology classes where the first examination report issues six months after requesting examination, this period reduces to six months. It is manifestly unfair that applicants in one technology class would be more disadvantaged than applicants in another technology class.
44. Another issue is IPONZ resourcing to meet the expected increase in divisional applications in response to the proposed limitation. As noted above, in other jurisdictions restrictions on the filing of divisional applications resulted in large numbers of divisional applications being filed simultaneously in order to improve the likelihood of applicants being in a position to secure their rights in response to developments during examination – for example, using divisional applications to secure claims for multiple inventive concepts which are patentable over prior art cited by IPONZ but would lack unity in a single application. This behaviour may already be observed in the case of patent families approaching the five-year deadline for requesting examination under the 2013 Act and 2014 Regulations. We are aware of the New Zealand patent family of New Zealand Patent Application No. 740011, for example, in which twenty-one (21) divisional applications were filed at the five-year deadline, in addition to the original parent and a first divisional application. The disparity between (a) IPONZ expectations for issuance of the first examination report, and (b) the actual timeframe, is already significant. The bulk filing of divisional applications in close proximity would place an additional burden on IPONZ resources. This would mean that, for some applications, an examination report would not issue until after the deadline for filing divisional applications, which means an applicant would no longer be able to file a divisional application even if a unity of invention objection is raised. This is unfair and contravenes the Paris Convention.

Advantage to Larger Applicants

45. Further, such an arrangement advantages larger or more well-resourced applicants, who can better afford to file multiple divisional applications as a precautionary measure against developments during examination. Smaller-scale applicants, i.e. the vast majority of domestic users to the NZ patent system, will be impacted more significantly.

Increased Reliance on Hearings

46. We also anticipate an increased reliance on hearings to address issues arising during examination. Where daisy-chaining is permitted, applicants can take a pragmatic approach to certain objections in order to secure rights to which they are entitled – for example, using divisional applications to

secure claims based on dependent claims which are found novel and inventive by IPONZ but would lack unity in a single application. If such objections arise close to the acceptance deadline proposed, such that a further divisional application is not possible, applicants will be more motivated to contest the examiner's position. Resourcing in the IPONZ Hearings Office is already inadequate. There is currently an approximately 18-month lag between requesting a hearing on an examination matter and getting a decision. There are no hearing officers available to hear patent matters – which has caused a significant back log of cases awaiting a decision. This timeframe will likely increase in the future. Such delays are antithetical to the stated objective of creating early certainty for the public. The MBIE preferred option will place a further burden on the hearings office and introduce further delay. A drive towards the use of hearings also favours larger or better resourced applicants, who can better afford to take advantage of such measures, rather than smaller New Zealand businesses.

MBIE's Preferred Option is Not Viable

47. In summary, we believe the option preferred by MBIE is not viable. We believe the raft of apparently unintended consequences vastly outweigh the alleged benefits. Further, the option as proposed has a significant potential to contravene New Zealand's obligations under Article 4G(1) of the Paris Convention.

Our Preference Out of the Presented Options

48. **Out of the options presented in the Discussion Paper (notwithstanding our view that daisy-chaining should be permissible) we prefer option (i): no change.**
49. As a starting point, we believe the first and second factors articulated in paragraph 92 of the Discussion Paper improperly emphasise the relationship between pendency of divisional applications and the issuance of the first examination report on an original parent application. This relationship is arbitrary if the issuance of the first examination report may be deferred by requesting examination at a later date after filing, as is expressly permitted under the Patents Act 2013.
50. As noted above, the Discussion Paper (in paragraph 110) indicates that there is no intention to change the current five-year time limit for filing requests for examination for applications which are not divisional applications. In doing so, MBIE inherently acknowledges that a period of five years, plus the examination period, is acceptable in terms of the uncertainty to the public as to what patent rights may ultimately be accepted for grant in a patent family.
51. Imposing any additional restrictions tied to issuance of the first examination report may well have the effect of disincentivising applicants to request examination earlier than the final deadline. This would not meet the intent of providing the public with certainty about the fate of the invention(s) disclosed in a patent application as early as possible.
52. In view of this existing limitation, we believe the current legislation already achieves the purpose of dealing with the alleged issue of daisy-chained divisional patent applications. Any amendments to legislation risks unintended consequences, and is to be avoided where the purpose is already achieved.

53. If anything, we believe the current legislation should be revised in order to explicitly permit divisional applications to be filed after the five-year deadline of regulation 71 in response to unity of invention objections as proposed in paragraph 42 above.

Alternative Option: Increase Filing Fees With Each Divisional Generation

54. Another possible option to deter daisy-chaining of divisional applications but providing the option to applicants in appropriate circumstances would be to significantly increase filing fees for each 'generation' of divisional application. This would deter companies from using daisy-chaining for purely deterrent reasons but would maintain a mechanism by which further divisional applications could be filed if there are specific business reasons to do so that warrant the cost. This is the approach that has been taken by the EPO.

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?

55. **No, we do not agree with the proposed 12-month time period for placing all divisional applications in order for acceptance. The reasons for this are articulated above in reply to question P3.**

56. For completeness, we reiterate our opposition to adoption of MBIE's preferred option. If it is to be implemented there should be an amendment to allow for filing of divisionals in response to examination revealing multiple inventions to avoid contravening New Zealand's obligations under Article 4G(1) of the Paris Convention. However, if the option were to be adopted, we submit that this period should align with time limitations already in place under the Patents Act 2013 and Patents Regulations 2014.

Alternative Option

57. Since the 2013 Act and Regulations already sets a five-year time limit on filing requests for examination, we suggest that the deadline for placing all divisional applications in order could be the later of (a) five years from the date of filing of the complete specification of the original parent, or (b) twelve months after issuance of the first substantive examination report for the original parent.

58. This approach is also more consistent with that taken in the United Kingdom, on which MBIE's preferred option is purportedly based (see, paragraph 99 of the Discussion Paper and the discussion above). It may also reduce the unintended consequence of patent applicants deferring the filing of the request for examination of the original parent, and all divisional applications, until the five-year deadline.

59. Further, express provisions for filing, and obtaining acceptance of, divisional applications in response to examination revealing multiple inventions must be provided under Article 4G(1) of the Paris Convention.

60. Additionally, provisions should be made to extend the period in the event of delays in examination by IPONZ. Such extensions should be mandated, rather than at the discretion of the examiner. The desire to provide the public with certainty as to the fate of invention(s) disclosed in an application must be balanced against the need for fairness to applicants.

REQUESTS FOR EXAMINATION

Question P5: Do you agree with MBIE’s proposed amendments to the provisions relating to requesting examination and the proposed transitional provision? If you do not, please explain why.

61. We agree that there is a problem with applications being left in limbo if they have been filed but examination has not been requested by the five-year deadline of regulation 71. **However, we do not believe that the proposed solution reflects the original policy intent.**

Preference is to Abolish 5-Year Time Limit of Regulation 71

62. Requests for examination are governed by section 64. Section 64(1) says that the applicant may request examination “*in the prescribed manner*”. This sub-section makes no mention of requesting examination within the prescribed period. Section 64(2) relates to the Commissioner directing the applicant to request examination and requires the applicant to do so “*within the prescribed period*”. It is therefore apparent that the Act was written with the intent of there being a time limit (a “*prescribed period*”) on requesting examination when directed to do so by the Commissioner, but not otherwise. We are not aware of anything that suggests the policy intent was otherwise.

63. It is regulation 71 that introduces a time limit for requesting examination other than when directed to do so by the Commissioner. We do not believe setting a time limit for requesting examination reflects the original policy intent. Regulation 71 introduces a time limit without clear policy direction to do so.

64. Therefore our preference is for this deadline to be abolished.

Treating Applications as Abandoned Past Regulation 71 Date

65. Notwithstanding this point of view, if the five-year deadline set by regulation 71 is to be kept, we agree that an amendment is required to avoid the uncertainty of the status of applications that have been filed but for which examination has not been requested by the five-year deadline. In these circumstances we agree with the solution set out in paragraphs 109 and 110 of the Discussion Paper (i.e. to treat as abandoned applications where examination has not been requested by the five-year deadline, and where the ability to restore applications is preserved under section 125 of the 2013 Act) provided the ability to restore an application is also accompanied by the ability to extend the examination request deadline, and therefore request examination of the restored application, under the same terms as section 125. If the examination request deadline cannot be extended in these circumstances then any restored application will also be in limbo since examination would not be able to be requested, which is clearly undesirable given the reason for changing the provision in the first place. This may be achieved by amending regulation 71 to add: “*However sub-clauses (a)-(c) do not apply to applications restored under section 125 of the Act*”. IPONZ could then direct that examination of any application restored in such a manner be requested.

Disagree that Request for Examination Must Accompany all Divisional Applications

66. Our earlier submissions explain why we disagree with the proposal to require all divisional applications to be in order for acceptance on the same date as their parent application.

Consequently, we disagree with the necessity alleged in paragraph 112 of the Discussion Paper to require a request for examination to accompany all divisional applications.

Unfairness of Proposed Transitional Provision

67. Paragraph 115 proposes a transitional provision that deems all 2013 Act applications for which the five-year deadline has already passed to be treated as abandoned. We do not believe it is fair on applicants if such applications are treated in this way without notice. MBIE will be aware of the different views within the patent attorney profession as to whether the five-year deadline is *ultra vires*. Some applicants may have received advice making them believe that the option to file and request examination of a divisional application may still be available after this deadline. It would be unfair to deem such applications as abandoned without giving a period of warning of the change.
68. Furthermore, some applicants may consider they are entitled to seek an extension of time to the deadline under the general extension provisions and should be given sufficient warning of the impending change if they want to do so.

POISONOUS PRIORITIES AND POISONOUS DIVISIONALS

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

69. **We believe that poisonous priority is a significant issue which requires a legislative change to solve for the same reasons that MBIE has concluded that the poisonous divisional issue requires a solution.**

Background

70. The poisonous priority and poisonous divisional issues are caused by the same problem, i.e. a conflict between:
 - 70.1. The ability for an applicant to have multiple patent applications describing the same technology but which may differ in the amount or level of subject matter disclosed in the respective complete specifications; and
 - 70.2. The prior art base including information contained in other complete specifications (including the applicant's own other complete specifications).
71. An applicant may have multiple patent applications with differing amounts or levels of disclosed subject matter having made use of the Paris Convention and/or having filed provisional specifications and divisional applications. How an applicant comes to have multiple patent applications for the same subject matter is irrelevant because in both cases the "poisonous" result is an unintended consequence and is a problem requiring a solution.
72. As MBIE has rightly identified in the Discussion Paper, it is completely unintended that a parent patent application can anticipate its divisional application. It is equally unintended that a basic application can anticipate a later application where the later application claims convention priority to the basic application (i.e. Example 1.3.3 in the Discussion Paper). The situations exemplified in

Examples 1.3.4 and 1.3.5 of the Discussion Paper are equally unintended to suffer from the poisonous priority issue.

Inconsistency Between Patents Act 2013 and Paris Convention

73. We believe that legislative amendments should be made to solve the poisonous priority issue so that New Zealand complies with its obligations under Paris Convention. Article 4F of the Paris Convention states:

“No country of the Union may refuse a priority or a patent application ... on the ground that an application claiming one or more priorities contains one or more elements that were not included in the application or applications whose priority is claimed... With respect to the elements not included in the application or applications whose priority is claimed, the filing of the subsequent application shall give rise to a right of priority under ordinary conditions.”

74. Poisonous priority occurs where an applicant files *“an application claiming one or more priorities”* which *“contains one or more elements that were not included in the application or applications whose priority is claimed”* (i.e. an example of the situation identified in Article 4F of the Paris Convention). Article 4F is clear that disclosing one or more new elements in a subsequent application, while claiming priority to an earlier application, is allowable.

75. In circumstances where poisonous priority arises, which the Discussion Paper acknowledges does occur in practice, the Patents Act 2013 can penalise an applicant for filing a subsequent application containing one or more elements not included in a basic application. Applicants should not be penalised in New Zealand for using a strategy which the Paris Convention explicitly allows for. The Patents Act 2013 therefore requires amendment so that it is consistent with New Zealand’s obligations under the Paris Convention.

Frequency of Problems Occurring

76. The Discussion Paper states in paragraph 135 that poisonous priority can only occur in New Zealand under very limited circumstances. We believe that these circumstances occur, or are likely to occur, often enough to warrant fixing the problem.

77. The situation described in Example 1.3.3 is not uncommon and we have a range of clients of different types that have used this strategy. As the Discussion Paper notes in paragraph 136, this strategy is a useful way to obtain early search results before filing a PCT application, particularly where the applicant intends to pursue a New Zealand patent anyway. It also enables the applicant to get a New Zealand patent granted sooner.

78. The situation described in Example 1.3.4 is also not uncommon. We have a number of New Zealand-based clients that have chosen to file a complete specification in New Zealand at the same time as filing a PCT application, in order to expedite the New Zealand patent process. It is more usual for the first application to be an overseas application to which the PCT application claims priority rather than a provisional application under the 2013 Act as per the description of Example 1.3.4. This type of situation is much more likely to occur.

79. We expect the situations described in Examples 1.3.4 and 1.3.5 to become more common due to the five-year time limit for requesting examination of divisional applications. It is now important for applicants to take steps to advance New Zealand patent applications early and quickly in order to ensure there is enough time to file divisional applications before the five-year deadline under regulation 71. Where the applicant is filing a PCT application, a convention application can be filed in New Zealand in parallel to begin prosecution in New Zealand without delay (Example 1.3.4). Where an applicant knows that multiple inventive concepts will need to be protected in separate patent applications, they may file multiple convention applications in New Zealand simultaneously (Example 1.3.5) in order to make the most of the limited time they have available to ensure that all necessary New Zealand patent applications have been filed.
80. We also note that the lack of examples of patents being refused or revoked does not indicate that the problem is not present. Some applicants that are aware of these problems may be able to avoid poisonous priority and poisonous divisional issues by obtaining advice from patent attorneys on filing and claim strategies. However, this is still a problem because it limits the options that applicants have and makes filing strategy and claim strategy more complicated and expensive. Small, local applicants are less likely to afford advice to mitigate against the risks making them more likely to encounter the problem and more likely to abandon patent rights in response to the problem. All of this puts them at a competitive disadvantage.
81. We also expect that there are many granted patents and applications on the register that originate from jurisdictions that allow claims to have multiple priority dates which could suffer from poisonous priority issues. This is because the priority date of a claim is often not determined during the examination process unless relevant prior art dated between possible priority dates is identified. Many overseas applicants may not be aware that claims must have a single priority date in New Zealand.
82. In any case, we believe that the number of applicants affected by poisonous priority should not be decisive on the decision whether or not to solve the problem. It is clearly a problem which requires a solution. We urge MBIE to take this opportunity to solve the poisonous priority issue at the same time as solving the poisonous divisional issue.

Suggested Amendment

83. We suggest that the meaning of prior art base (section 8) is amended to address the poisonous priority issue. Section 8(2) extends the prior art base to cover *“the information contained in a complete specification filed in respect of another patent application”* where certain circumstances apply. A further subsection could be added to section 8 to exclude the circumstances identified in the Discussion Paper, for example by adding as sub-section 8(2)(d): *“the patent application was filed, and is owned, by a person other than the applicant”*.
84. One option is to amend the Act so that it states that the prior art base for a claim under consideration does not include the information contained in the complete specification filed in respect of the other patent application if:
- 84.1. one of the applications claims priority under the Paris Convention to the other of the applications (either directly or via the PCT); or

84.2. the two applications each claim priority under the Paris Convention to the same basic application.

85. Situation (84.1) would address Example 1.3.3 in the Discussion Paper while situation (84.2) would address Examples 1.3.4 and 1.3.5.

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

86. **Yes. We agree with MBIE's preferred solution for the same reasons provided in the Discussion Paper at paragraphs 154-156**, although we note that the anti-self-collision provision should be clearly worded so that it applies to any applications related through divisional filings, e.g. including parents and divisionals separated by multiple 'generations', not just immediate parent and child applications.

87. Please refer to our answer to question P8 regarding why do not believe that the Act needs to be amended to provide for multiple priority dates (the alternative solution that has been proposed) provided an alternative solution (such as the anti-self-collision provision) is implemented.

MULTIPLE PRIORITY DATES FOR CLAIMS

Question P8: Do you agree with MBIE's assessment that there is no need to amend the 2013 Act to provide that patent claims can have more than one priority date? If not, please explain why.

88. **In our view there is no need to amend the Patents Act 2013 to provide for multiple priority dates for a single claim, provided an alternative solution to the poisonous priority and poisonous divisional problems is implemented as per our comments above.**

89. In the absence of an appropriate solution to the poisonous priority and poisonous divisional problem, then we submit that the Patents Act 2013 should be amended to provide for multiple priority dates for a single claim, since it would then be necessary to solve the poisonous priority and poisonous divisional problems.

90. There are reasons both for and against allowing a claim to have more than one priority date. On the one hand:

90.1. allowing a single claim to have multiple priority dates would likely save some otherwise invalid claims;

90.2. it would align New Zealand's approach with the approach taken by some of New Zealand's major trading partners (Australia, UK and Europe), which all allow single claims to have multiple priority dates; and

90.3. the poisonous priority and poisonous divisional application issues and the conflict with the Paris Convention could all be addressed.

91. On the other hand:

- 91.1. there would be significant uncertainty regarding how the Court would approach the concept, as there would be no New Zealand case law and the overseas case law is still evolving;
 - 91.2. it will make assessing infringement and validity of granted patents more complex for the public; and
 - 91.3. it would be a significant change and, as MBIE has identified, could bring unintended consequences.
92. While we recognise the benefits of allowing multiple priority dates for a claim, the lack of clarity around how the Court would approach claim interpretation, validity and infringement where claims have multiple priority dates may be detrimental to patent applicants and the public alike and needs to be weighed carefully against the potential benefits.
93. In Australia, for example, poisonous priority is still a concern, even though the Australian Patents Act allows for a claim to have multiple priority dates², due to a decision by the Full Federal Court³ which the IP Australia Policy Register (and some commentators) recognise gave insufficient consideration to multiple priority dates⁴. If New Zealand allowed for multiple priority dates within a single claim there is a risk that the same legal uncertainty would manifest in New Zealand. Therefore, until the approach to multiple priority dates is more settled, particularly in Australia, we would be concerned with any legislative change that creates the same issues in New Zealand.
94. Accordingly, we believe that the Patents Act 2013 should not be amended to provide for multiple priority dates for a single claim, provided an alternative solution to the poisonous priority and poisonous divisional problem is implemented as per our comments above.

EXTENSIONS OF TIME WHEN HEARING IS REQUESTED

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

95. The current delay at IPONZ in scheduling hearings and issuing decisions is a significant concern for applicants and the intellectual property profession. The delay also significantly affects third parties given uncertainty about the fate of a pending patent application. Before addressing the issue of extensions of time it is important to note that increased resourcing and a focus on reducing the delays at IPONZ would significantly address any adverse effects for all parties. This is consistent with the comments in paragraph 190 of the Discussion Paper.
96. Irrespective of resourcing, neither option presented in the Discussion Paper to address the issue of extensions of time provides a solution that adequately addresses the needs of all concerned parties. Our response to the specific questions posed by MBIE follow.

² Section 43(3), Australian Patents Act 1990

³ *AstraZeneca AB v Apotex Pty Ltd* [2014] FCAFC 99 (12 August 2014)

⁴ <https://www.ipaustralia.gov.au/policy-register/amend-rules-determining-priority-patent-claims-prevent-self-collision-poisonous>

Option (i)

97. This option proposes to use the provisions of section 230 of the 2013 Act to extend the time to place an application in order when a hearing is requested.
98. Relevantly, paragraph 195 of the Discussion Paper notes that it is not inappropriate to use section 230 to grant extensions of time. This is on the basis that normally the extension will be required where the Commissioner is unable to schedule and hold a hearing, or issue a decision on any hearing, within the statutorily prescribed time. However, this comment overlooks that a paramount consideration must be ensuring that applicants are not disadvantaged by delays which are beyond their control.
99. Paragraph 196 of the Discussion Paper notes that "*Section 230 gives the Commissioner a very broad discretion in granting extensions of time. This is undesirable...*". We do not agree that it is undesirable that the Commissioner has a discretion under the Act to ensure that parties are not disadvantaged by matters beyond their control.
100. The contrary position to that proposed in Option (i) is informative. If time frames for extensions were prescribed, there is the potential that those will not adequately encompass all scenarios in which an extension of time is required. This is particularly so in the current environment where there are significant delays in scheduling hearings. An overly prescriptive approach to extensions of time is not desirable.
101. Therefore, in principle, retaining the Commissioner's broad discretion under section 230 is preferable.
102. This position notwithstanding, it is appreciated that some guidance on extensions of time would be beneficial for all parties.

Option (ii)

103. This option proposes to amend the Act or Regulations to provide a defined timeframe within which an application must be placed in order for acceptance after the issue of a hearing decision. It is held out in the Discussion paper as the preferred option.
104. In paragraph 197, the Discussion Paper suggests that the extension could be granted by the Commissioner once the applicant had formally requested a hearing and paid the appropriate fee. However, we are aware of several current cases where the applicant has requested a hearing before the period to place an application in order for acceptance has expired, yet IPONZ did not confirm that a hearing had been requested and did not issue a directive to pay the hearing fee until after the deadline for putting the application in order for acceptance. Therefore, the applicant has been unable to pay the requisite fee. The result is that the proposal in paragraph 197 will not resolve much of the uncertainty about the status of an application if the granting of the extension of time is dependent on the fee being paid. We propose a solution would be to not make the extension contingent on payment of the fee so that an applicant is not disadvantaged if IPONZ is slow to act.
105. Notwithstanding the above concerns, the proposal to grant an extension in response to a request for a hearing is a sensible one.

106. Again, the danger in formulating a policy on extensions of time is overly prescriptive and does not account for all possible scenarios causing inadvertent prejudice to an applicant.
107. In some situations a short time period will be sufficient to resolve outstanding objections. These include where the Commissioner has indicated how the objections can be resolved with sufficient clarity e.g. “incorporate claim 12 into claim 1”. However, it is also possible that the amendments required may not be clear from the Commissioner’s decision, or there is disagreement between the applicant and Office as to what amendments are required or allowable. These concerns are particularly relevant where amendments are being made post-acceptance and there are additional restrictions on the type of amendments that can be made.
108. By way of example, the following scenario could prejudice the applicant were an overly prescriptive approach adopted:
- 108.1. The applicant diligently responds to objections raised in a first examination report **within three months** of the first report issuing;
 - 108.2. The applicant and Office effectively reach an impasse in relation to one or more objections. There is close to **nine months** left in the period to place the application in order for acceptance;
 - 108.3. The delay at the Office means that a hearing is not held until **five months** after the period to place the application in order for acceptance; and
 - 108.4. If a **two-month** extension is granted, the applicant has had the period to address objections effectively **reduced from nine months to two months** through no fault on its part.
109. Situations such as this are unfair to the applicant. They may legitimately want to address the outstanding objections in a different manner or to pursue protection for alternative features. The shortened period to place the application in order would prevent them from following these courses of action.
110. Furthermore, as recognised in paragraph 200 of the Discussion Paper, there may be appeals to any decision of the Commissioner. We submit that any appeal should trigger an additional extension of time for putting the application in order.

Preference Not to Prescribe Extension

111. In light of the above, **we believe that the extension of time period should not be prescribed but instead be determined on a case-by-case basis and be addressed at the hearing and noted in the Commissioner’s decision.** This will provide certainty to the public.

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.”

112. The Discussion Paper’s proposal is that, where the period under section 71(1) has expired and the hearing request is withdrawn, that the application should lapse; see paragraph 203 in this regard.

We agree with this proposal provided an applicant is given a chance to resolve outstanding issues with the Office while the hearing request is still in place, and an application is able to be accepted in such circumstances.

113. There are several circumstances in which an applicant might withdraw a hearing request after expiration of the period to place an application in order for acceptance. For instance, for commercial reasons, developments in examination of a corresponding overseas application, or because an applicant voluntarily chooses to amend an application to address objections that were to be otherwise considered at the requested hearing to avoid further delay. In those circumstances, an applicant would be unduly prejudiced by the application lapsing.
114. Provided an applicant is given a chance to resolve outstanding issues with the Office while the hearing request is still in place, and an application is able to be accepted in such circumstances, then we agree with MBIE's proposal that an application is deemed abandoned if the hearing request is withdrawn and the s71(1) period has expired.
115. If not, and if the proposal envisages that, once the s71(1) period has passed, the hearing either has to be held or the application abandoned then we disagree with the proposal. This would not encourage applicants to explore alternative ways to resolve the impasse with the examiner and would only add to delays and uncertainty. Instead under these circumstances we propose that:
 - 115.1. Where there was time outstanding at the time the hearing request was filed, then the applicant should be provided with an equivalent time period to resolve outstanding objections;
 - 115.2. If less than 20 working days of the period under section 71(1) were available, then the applicant should be provided with at least 20 working days to place the application in order for acceptance; and
 - 115.3. If there were outstanding objections, the applicant must resolve those within the extended time frame.
116. This approach balances the unfairness of delays at IPONZ adversely affecting applicants with the need to provide certainty to the public.

THE UTILITY REQUIREMENT

117. Paragraphs 207 to 209 of the Discussion Paper outline concerns about a possible lack of clarity with regard the utility requirements of s.10 of the Patents Act. In particular, paragraph 207 notes that some stakeholders consider that it is unclear whether the requirements of classical utility are required by the Patents Act 2013 in addition to the specific requirements of s.10.

Applications filed under the Patents Act 2013

118. Together ss.13 and 14(c) prescribe that an invention is not patentable unless it is useful. The term "useful" is defined in s.10 of the Patents Act 2013. Therefore, to be patentable under the Patents Act 2013, an invention must have "*a specific, credible, and substantial utility*".

119. We consider that the definition of “useful” in s.10 clearly requires specific, credible and substantial utility and no other type of utility. The concept of classical utility has been well-known in the case law for many years. The fact it was not included in the definition of utility in s.10, or anywhere else in the 2013 Act, implies to us a clear legislative intent that classical utility is not a requirement for a patentable invention under the Patents Act 2013.
120. We expect the occasions where a specification would satisfy the requirements of s.10 but not meet the requirements of classical utility will be very rare. The requirements of classical utility generally establish a low bar to patentability - namely that the invention does what the inventor says it will do. If an invention meets the requirements of s.10 then it is also likely to meet the standard of classical utility. Nevertheless, poor patent drafting could result in an invention meeting the requirements of s.10 but not classical utility.
121. Of course, until such time as the Courts develop and apply a test for the requirements of s.10 there is uncertainty about the level of disclosure required by a specification under it. However, this is separate from uncertainty about the need to meet the requirements of classical utility.
122. While our view is that s.10 requires specific, credible and substantial utility and no other type of utility, if that is not the intention of the Act then this should be clarified. That is, if the intention is also for the 2013 Act to require inventions to do what the patent owner said it would do, then this should be specified, provided the Act does this in a manner that is consistent with established legal authority on classical utility and goes no further.

Applications filed under the Patents Act 1953

123. As noted above, s.10 of the Patents Act 2013 provides a definition of the term “useful”. In addition, s.254 of the Patents Act 2013 clarifies that a patent granted under the 1953 Act may be re-examined or revoked under the 2013 Act, but that the grounds for revocation are as set out in ss.41(1) or 41(3) of the Patents Act 1953. We can envisage a motivated party trying to argue that the definition of “useful” in s.10 of the Patents Act 2013 should be applied in a re-examination or revocation action under the 2013 Act which assesses the grounds of s.41(1) of the 1953 Act.
124. In general terms, the application of s.10 to revocation and re-examination proceedings for a patent granted under the 1953 Act would be contrary to the intent of s.254. Both ss.254(d) and (e) include the qualifier “*rather than the grounds in section 114 of this Act*”. That wording is a clear and explicit indication that, in enacting the 2013 Act, the legislature did not intend to retrospectively subject rights granted under the 1953 Act to the higher standard imposed by the 2013 Act.
125. It would be unfair to a patentee for a specification prepared to meet the requirements of the 1953 Act to be subject to the expanded definition of the term “useful” in s.10 of the 2013 Act. There is a risk that a Court may impose the higher burden required of s.10 despite this not being the intention. Therefore, we propose that s.254 be amended to clarify that the provisions of s.10 do not apply to any re-examination proceeding under s.95 or revocation proceeding under the 2013 Act.

SWISS-TYPE CLAIMS

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

126. **We neither agree nor disagree with MBIE's position not to amend the 2013 Patents Act to allow EPC2000-type claims.**
127. We believe the current system in relation to Swiss-type claims in New Zealand works well with good judicial authority from our Court of Appeal.
128. MBIE takes the position in paragraphs 227-228 of the Discussion Paper that, if EPC2000 claims are broader in scope than Swiss-type claims, this could lead to higher costs to PHARMAC (and to consumers). This is seen by MBIE as a "significant disadvantage" (in paragraph 236) for amending the 2013 Patents Act to allow EPC2000-type claims to be patented.
129. While we understand PHARMAC has an interest in securing medicines at the lowest possible cost to the New Zealand public, in order for the New Zealand public to have access to those medicines pharmaceutical companies must:
 - 129.1. Have sufficient resources to be able to undertake research and development. Such resources are attained through sufficient levels of profit and competitiveness, and an ability to secure (via patents) an adequate return on what is often a long term and expensive investment; and
 - 129.2. Be able to rely on a robust system of intellectual property protection in their target markets. If the intellectual property protection available in New Zealand is insufficient then companies will simply not commit to undertake the necessary work to obtain regulatory approval, outlay expenditure on marketing, etc.
130. The balance of these factors ensures new drugs or treatments can be developed and can continue to benefit the general public. Merely seeing the scope of patent protection afforded to innovative pharmaceutical companies as a cost is regressive. As such, providing broader patent protection in the form of EPC2000 claims for patent applicants should not necessarily be seen as a disadvantage to the general public.
131. We are currently not aware of any studies or research considered by MBIE in calculating the likely costs associated with allowing EPC2000 claims to the New Zealand public or the likely magnitude of such costs. We would welcome further research or discussion around this topic to explore the likely implications of these costs to ensure we have a robust Patents Act that benefits both the general public and patent applicants in relation to new medical uses of known compounds.
132. Furthermore, additional research should be conducted into what pharmaceutical companies' views are around the current level of protection afforded by Swiss-type claims for protecting new medical uses of known compounds, and whether or not there is any evidence of any "new use" drugs being released in jurisdictions where EPC2000 claims or method of treatment claims are allowable – such as Australia or the UK - but not in NZ (or other relevant jurisdictions) where only Swiss-type claim protection is available.

EXHAUSTION OF PATENT RIGHTS

Question P13: Do you agree that the 2013 Act should be amended to explicitly provide for exhaustion of patent rights? If not please explain why.

Question P14: 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?

133. **We do not have a strong view on whether the 2013 Act should allow for exhaustion of patent rights (domestic or international) but we do agree that the law should be clarified to make it explicit whether exhaustion of rights occurs or not.**

134. We agree that, as a net importer of patented products, the presumption is that allowing for international exhaustion of patent rights would seem to intuitively benefit New Zealand. However we would prefer such policy decisions to be based on evidence, such as the experience of other countries, because of the risk of unintended consequences.

135. We note that paragraphs 254-256 of the Discussion Paper acknowledge that the lack of an exhaustion provision in the 2013 Act has not yet led to any problems arising. Nevertheless, MBIE recognises that a problem may occur and proposes to address it in advance. This contrasts with MBIE's approach to the problem of poisonous priorities in section 1.3 of the Discussion Paper where, despite a risk being identified, MBIE prefers not to take any action because an occurrence has not yet been identified. This inconsistent approach is difficult to reconcile. In our view, where a risk has been identified, it should be addressed before an occurrence.

ATTORNEY-GENERAL'S RIGHT TO INTERVENE IN PATENT PROCEEDINGS

Question P15: The 2013 Act provides that the Attorney-General has the right to challenge the grant of a patent or otherwise intervene in patent proceedings. Do you consider that the Attorney-General should retain this right?

136. **We agree there may be occasions where intervention by the Attorney-General is justified.**

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?

137. The Attorney General's right to challenge a patent/patent application is retained regardless of whether s.163 is retained or repealed. However, we consider it useful to make explicit reference in the Act to the Attorney General's rights set out under s.163 since to do so will highlight these courses of action that may otherwise be overlooked.

138. MBIE sets out three proposed options, all of which consider ss.163 and 164 together, either repealing both sections or retaining both sections. MBIE's preferred option is to repeal ss.163 and 164 and amend ss.92, 94 and 112 to explicitly mention the Attorney-General, to make it clear that the Attorney-General, as well as any other person, can challenge the validity of a patent.

139. We propose an alternative which is to retain s.163 and repeal s.164.

140. While we agree with explicitly mentioning the Attorney General's rights, we consider it clearer to retain a separate section for this, rather than including reference to the Attorney General in ss.92, 94 and 112 alongside "any person". Furthermore, ss.163(c) and 163(d) appear to be broader than what is provided by ss.92, 94 and 112 as under ss.163(c) and (d) the Attorney-General does not need to be a party in the proceedings.

141. **We therefore propose retaining s.163 and repealing s.164.**

AVAILABILITY OF DOCUMENTS RELATING TO 1953 ACT APPLICATIONS

Question P17: Do you agree that the transitional provisions in the 2013 Act are unclear about the availability of documents relating to 1953 Act applications and patents granted on them?

142. Section 255 of the Patents Act 2013 (hereinafter referred to as the 2013 Act) refers to patent applications made under the Patents Act 1953 (hereinafter referred to as the 1953 Act). This section states that the 1953 Act will continue to apply for the purpose of "*bringing and completion of any application, request, notice, or other proceeding relating to that application (whether commenced before or after the commencement of Part 3 of this Act)*". "That" application refers to a patent application made before the Patents Act 2013 came into force. "This" Act refers to the Patents Act 2013.

143. In our opinion, the inclusion of the residual clause "*completion of any application, **request, notice, or other proceeding***" (emphasis added) is comprehensive enough to bring all proceedings related to 1953 Act applications within the ambit of s.255 of the 2013 Act. Therefore, all provisions under the 1953 Act, including s.91, remain in effect for 1953 Act applications or granted patents. Moreover, under s.260 of the 2013 Act, any applications, notices or requests received or any proceeding commenced before the commencement of the 2013 Act will be subject to the provisions of the 1953 Act. This implies that the availability of documents relating to 1953 Act patent applications is not altered by the fact that the 1953 Act has been repealed.

144. In view of this understanding of the transitional provisions, which we do not see as being controversial or ambiguous, we do not believe the transitional provisions of the 2013 Act are unclear about the availability of documents relating to 1953 Act applications and patents. **Therefore we do not believe clarification is required.**

ABSTRACTS

Question P18: Should the 2013 Act be amended to provide that the abstract must not be used to interpret the scope of an invention described or claimed in a complete specification? If so, why?

145. **We believe that the 2013 Patents Act (“the Act”) should 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.**
146. As acknowledged in paragraph 296 of the Discussion Paper, the purpose of the abstract is as a search tool. The Australian Patents Regulations 1991, regulation 3.3(5) states: *“An abstract must be so drafted that it can efficiently serve as a scanning tool for the purposes of searching in the particular art, especially by assisting in the formulation of an opinion on whether there is a need to consult the specification itself for those purposes”*. The requirements outlined in reg.33 of the New Zealand 2014 Regulations serve a similar purpose of ensuring that patent abstracts will provide the necessary information to assist patent searchers.
147. Also as acknowledged by paragraphs 299 and 300 of the Discussion Paper, because of PCT Article 3.3 and similar provisions in many countries (including Australia and Europe), it is the prevailing view internationally that the abstract of a patent application is not intended to form part of the patent specification and should not be used to interpret the scope of the invention.
148. We agree with the comment in paragraph 298 that, under the 2013 Act, the requirements for abstracts under reg.33 has been policed rigorously by patent examiners. In our experience, examiners’ objections under reg.33 often lead to the abstract being amended during the examination process. This occurs more frequently when prosecuting a New Zealand application compared to an overseas application because the New Zealand regulations specifically require the abstract to state the technical problem and the gist of the solution to that problem.
149. Any amendment to a patent application needs to be considered carefully, taking professional advice and therefore incurring time and costs. Applicants naturally err on the side of caution when amending an abstract, taking the necessary care just in case it will one day affect the interpretation of a claim in a critical way, either because of the wording of the abstract or because of an estoppel being created through the manner of the amendment or assertions made when making the amendment. This increases the time and costs of obtaining a New Zealand patent, unnecessarily so if an abstract is not able to be used to determine the scope of the invention.
150. To provide certainty to applicants we believe it would be beneficial to include a provision in the Act that the abstract cannot be used to interpret the scope of an invention. This would reduce the time and cost in preparing an amended abstract, which is beneficial for both applicants and the general public alike.
151. Paragraph 300 of the Discussion Paper notes that MBIE are not aware of any instances where the Commissioner of Patents or the courts have used the abstract to interpret the scope of the claims of a complete specification. However, this does not mean that this will not occur in the future. In the

same way that the exhaustion of rights issue is being addressed before an issue occurs, we believe the abstract issue should also be addressed before an issue occurs.

152. Finally, there is a general desire for harmonisation of the New Zealand and Australian intellectual property systems. Since the Australian Patents Regulations clarify the abstract cannot be used to determine the scope of a claim it follows that New Zealand should amend the 2013 Act to include a similar provision and better harmonise the patent system with Australia.

153. We suggest adding a clause to regulation 50 stating “ *An abstract is not taken into account in construing the nature of the invention that is the subject of the specification to which the abstract relates.*”

Trade Marks Act 2002

SERIES OF TRADE MARKS

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

154. **We are not aware of any other options that the MBIE should consider in relation to series of trade marks.**

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.

155. **We do not agree with the proposal to remove the ability to register series marks.**

156. The ability to file a series application has many benefits and can be particularly useful when a New Zealand based applicant intends to file a logo mark overseas. The applicant can apply to register a colour and a black & white version of the logo as a series. The applicant then has the option of selecting the version of the mark that is best suited to the overseas country it intends to file into. This ensures that the overseas application is filed in the best manner for that jurisdiction.

157. Series applications can also be useful in reducing the cost of trade mark applications for New Zealand businesses. If a company has a range of marks that differ in a manner that does materially alter the mark, they can register all of the marks in one application. This allows the applicant to register all variations without additional cost.

158. In our view Options 1 and 2 are preferred over Options 3 and 4.

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.

159. **We agree with MBIE's proposal** to amend the Trade Marks Act to allow the Commissioner of Trade Marks to consider the circumstances of prior continuous use as an "other special circumstance" under section 26 of the Trade Marks Act to overcome the citation of a trade mark registration with an earlier priority date.

REQUIRE THAT SPECIFICATIONS BE CLEAR

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

160. **We agree with MBIE's proposal** that the Trade Marks Act be amended to specifically require specifications to be clear.

MANDATE APPLICANTS USE IPONZ'S PICK LIST OF GOOD 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.

161. **We agree with MBIE's proposal** to require the IPONZ picklist to be used for S&PA applications.

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 it is 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?

162. We make no submissions in response to this question.

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?

163. We make no submissions in response to this question.

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.

164. **We agree with MBIE's proposal** to amend the Trade Marks Act to make it explicitly clear that a trade mark registration can be declared invalid if the registered owner is not the true owner of the mark.

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.

165. **We agree with MBIE's proposal** to amend the Trade Marks Act to clarify that section 17(1)(b) of the Trade Marks Act only applies to activities that are contrary to New Zealand laws other than the Trade Marks Act.

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

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

166. **We agree with MBIE’s proposal** to amend the Trade Marks Act to remove the requirement that only an “aggrieved person” can apply to revoke or invalidate a trade mark registration under sections 65 and 73 of the Trade Marks Act.

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.

167. **We consider that the different approaches to partial refusals are a problem** as they disadvantage those filing national applications. It is unfair that there are two systems which differ in this manner given that the systems ultimately result in equivalent rights.

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?

168. **We 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.

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.

169. **We do consider that the current IPONZ practice regarding undefended applications for revocation of a registration for non-use is causing problems.**

170. Specifically, the current practice creates an extra burden on IPONZ which in turn slows down the process for the party taking the revocation action. Normally the revocation action is filed to clear the way for an application which would otherwise be blocked by the earlier registration. The fact that the Commissioner is required to make a decision slows down the revocation proceeding and turn delays the acceptance of the blocked application.

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.

- 171. We submit that MBIE's alternative proposal to allow IPONZ to automatically revoke a trade mark registration in the case of an undefended application for revocation is reasonable as long as appropriate safeguards are put in place.**
172. The main purpose of these safeguards is to ensure that the application for revocation is brought to the attention of the owner of the trade mark registration that is the subject of the revocation action. The owner can then elect to either defend the application for revocation or to allow IPONZ to automatically revoke their trade mark registration if it is no longer being used.
173. There may be scenarios where trade mark owners do not have an agent to alert them that their trade mark registration is being attacked or where they simply do not have any access to IPONZ notification systems. In these cases, it may be appropriate, for example, for an applicant to file an affidavit of service with IPONZ confirming that the application for revocation has been served on the owner. Provision would also need to be made for situations where the owner cannot be located despite the best efforts of the applicant

Designs Act 1953

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?

174. **We agree that the Designs Act should be amended to allow for substitution of applicants.**

175. The inability to record an assignment of a design application appears to be an anomaly. Furthermore, since IPONZ has changed its policy to no longer hold a request to record an assignment of a pending design application on file until a design is registered, it falls to the assignee of the design to remember to apply to record the change of ownership when the design is registered, even if the actual assignment has occurred some months previously.

176. We also agree that the procedure for recording the substitution of an applicant should be based on that of the Patents Act and Patents Regulations.

177. Consistency with the Patents Act and Regulations is likely to increase efficiency by reducing the likelihood of applications to record a substitution of applicant being made incorrectly.

178. There do not appear to be any obvious disadvantages to adopting this approach.

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?

179. **We agree that the Designs Act and Designs Regulations should be amended to require the use of the IPONZ case management facility.**

180. We presume that, at present, the majority of applications are filed by IP firms or law firms who already use the case management facility, and this change will not affect their practice.

181. While a very small minority of self-filers may find the need to use the online filing facility inconvenient, use of the online facility should improve the chances that self-filing applicants provide all of the necessary information for a valid application and will help to provide transparency for interested members of the public and IP profession.

182. Requiring use of the case management facility will presumably increase efficiencies and save costs at IPONZ.

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?

183. **We agree that s38(2) of the Designs Act should be amended so that it is consistent with the corresponding provisions of the Patents Act and the Trade Marks Act.**

184. We agree with MBIE's assessment that there appears to be no reason to treat proceedings under the Designs Act differently from proceedings under the 2013 Act or the Trade Marks Act.

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?

185. **We agree that the Designs Act should be amended so that a person adversely affected by a decision of the Commissioner has an opportunity to be heard.**

186. We agree with MBIE's comment that failure to allow an opportunity to be heard is a denial of natural justice. There does not appear to be any reason why the Designs Act should be inconsistent with the Patents Act or the Trade Marks Act. Most users of the designs system are likely to assume that a right to be heard already exists. Nevertheless, this should be clarified in the legislation.

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?

187. **We agree that the Designs Act should be amended to remove the requirement to file an Authorisation of Agent form.**

188. The requirement for the applicant to sign an application form has been absent from the Patents Act for many years without any apparent adverse consequence. There does not appear to be any reason why the approach under the Designs Act should be different from that taken in the Patents Act or the Trade Marks Act. Furthermore, in many cases the absence of a signed Authorisation of Agent form is the only outstanding matter raised on a first examination report. Removing the requirement to provide an authorisation is likely to result in many applications being in order for acceptance when the first examination report issues, thereby increasing efficiency at IPONZ and for applicants.

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?

189. **We agree that there should be provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs.**

190. As MBIE notes, providing such provisions will ensure that proceedings are conducted efficiently, and without undue delay, and will provide certainty for the parties to the proceedings as to what is required.

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?

191. **We agree that the provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs should be modelled on those of the Patents Act and regulations.**

192. There does not appear to be any reason why provisions under the Designs Act should differ from those under the Patents Act. Making the provisions consistent is likely to reduce the chances that users of the designs system who are familiar with the Patents Act provisions will act inconsistently with the Designs Act requirements.

Use of Artificial Intelligence by IPONZ

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

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

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

193. We support development of tools utilising AI to assist examiners, for example to improve patent and trade mark searching. The main factor in developing/implementing AI tools should be to improve quality rather than productivity. We believe it is important that examiners maintain their high level of competency and should not become reliant on AI tools.

194. At this time we do not support the use of AI in discretionary decision making. As the Discussion Paper acknowledges, no suitable AIs yet exist and it is speculation as to whether and, if so, when such AIs will exist in the future. We do not believe it is appropriate to make decisions as to how AI can be used in discretionary decision making until more information is known about how such an AI would work, and until there is evidence that it works in a satisfactory manner.

195. We believe the public should be consulted before discretionary decisions are delegated to an AI system.