



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



Divisional Patent Applications

**Possible Changes to the Transitional Provisions in
Section 258 of the Patents Act 2013**

How to have your say

Submissions process

The Ministry of Business, Innovation and Employment (**MBIE**) seeks written submissions on the issues raised in this document by 5pm on **Friday 14 October 2016**.

Your submission may respond to any or all of these issues. We also encourage your input on any other relevant issues. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.

Please also include your name and (if applicable) the name of your organisation in your submission. Please include your contact details in the cover letter or e-mail accompanying your submission.

You can make your submission:

- By sending your submission as a Microsoft Word or pdf document to:
ip.policy@mbie.govt.nz.
- By mailing your submission to:

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

Please direct any questions that you have in relation to the submissions process to:
ip.policy@mbie.govt.nz.

Use of information

The information provided in submissions will be used to inform the form and content of any amendments to section 258 of the Patents Act 2013.

We may contact submitters directly if we require clarification of any matters in submissions.

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1. Purpose

1. The purpose of this document is to seek feedback on whether or not the transitional provisions in section 258 of the Patents Act 2013 (“**the 2013 Act**”) relating to divisional patent applications should be amended to limit when divisional applications can be filed or examined under the Patents Act 1953 (“**the 1953 Act**”), and if so, what those amendments should be.

2. Introduction

2.1. What are divisional patent applications?

2. If a patent application has been made, but has not been accepted or become void or abandoned, the patent applicant can file one or more fresh application(s) seeking patent protection for any of the subject matter described in the original patent application. The original patent application is referred to as the “parent” application, while each fresh application is known as a “divisional” patent application.
3. Divisional patent applications are almost always made some time (often years) after the parent patent application is made. Each divisional patent application can, though, be given the same filing and priority dates that the parent application is entitled to, as long as the divisional application does not contain any information not already in the parent application.
4. The term of any patent granted on a divisional application is the same as for the original parent patent application (if the divisional application has the same filing date as its parent). This is twenty years from the date that the original parent patent application was made.
5. Section 34 of the 2013 Act provides for the making of divisional patent applications. The predecessor of the 2013 Act, the now repealed 1953 Act, also allowed divisional patent applications to be made.
6. Under both the 2013 Act and the 1953 Act, it is possible for a divisional application to be derived from a an earlier patent application that is itself a divisional patent application. This process is sometimes known as “daisy chaining”.

2.2. Why are divisional patent applications provided for?

7. It often happens that patent applications describe more than one invention. Under s39(2) of the 2013 Act, and s10(4) of the 1953 Act, however, the claims of a patent application must relate to a single invention. The divisional patent application system allows patent applicants to obtain patent protection for any additional inventions described in the parent application, if that is what the applicant wants.

8. Where a patent application describes more than one invention, this may be because the patent applicant deliberately intended this. In such cases, the patent applicant may want to delay making a decision on which of the inventions described in the patent application it will seek patent protection for. Putting several inventions into one application and making divisional applications for some of them later is likely to be cheaper than making separate applications for each invention initially.
9. Sometimes an applicant may believe that its patent application only describes a single invention, but when the application is examined, the patent examiner finds that the application actually describes more than one invention. In such cases, the applicant may wish to file divisional applications to protect the additional invention(s).

2.3. International obligations

10. Article 4G of the Paris Convention for the Protection of Industrial Property¹ (“the Paris Convention”) requires member states to provide for divisional patent applications. New Zealand is a Party to the Paris Convention.
11. Article 4G(1) of the Paris Convention 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.”
12. Article 4G(2) of the Paris Convention states:
“The applicant may also, on his own initiative, divide a patent application and preserve as the date of each divisional application the date of the initial application and the benefit of the right of priority, if any. Each country of the Union shall have the right to determine the conditions under which such division shall be authorized.”

2.4. The Patent Examination Process

13. In order to fully understand the discussion that follows it is useful to describe the patent examination process under both the 2013 Act and the 1953 Act.
14. Patent applications are examined by a patent examiner to determine whether or not they meet the requirements for grant of a patent. If the examiner finds that the application as originally made does not meet the criteria for grant of a patent, the examiner will inform the patent applicant of the examiner’s objections. The applicant can then propose amendments, and/or attempt to convince the examiner to withdraw the objection.
15. Once the examiner is satisfied that the patent application meets the requirements for grant, the application is accepted. The fact that the application has been accepted is

¹ See http://www.wipo.int/wipolex/en/treaties/text.jsp?file_id=288514#P123_15283

advertised. Third parties then have 3 months to oppose the grant of a patent on the application if they believe that the patent does not meet the requirements for grant.

16. If there is no opposition, or any opposition is unsuccessful, a patent will be granted. Once a patent has been granted, third parties can apply to the Commissioner of Patents or to the High Court to have the patent revoked, if they believe the patent should not have been granted.

3. Transitional Provisions for Divisional Patent Applications – is there a problem?

3.1. What are the transitional provisions?

17. The 2013 Act entered into force on 13 September 2014. This Act contains transitional provisions setting out how patent applications filed before the 2013 Act came into force must be handled in the period after the 2013 Act came into force.
18. Section 258 of the 2013 Act sets out the transitional provisions that apply to divisional patent applications. Where a divisional patent application is:
 - made on or after the entry into force of the 2013 Act; and
 - The parent patent application was made before the 2013 Act entered into force;the divisional patent application is treated as a patent application made under the 1953 Act, rather than the 2013 Act.
19. This means that divisional patent applications derived from parent patent applications made before the 2013 Act came into force will be examined under the provisions of the 1953 Act. This will be the case where the divisional application is made after the 2013 Act came into force.
20. Where a divisional application is treated as a patent application filed under section 258 of the Patents Act 1953, any “daisy-chained” divisional divided from it is also treated as an application filed under the Patents Act 1953.

3.2. Why could these transitional provisions be a problem?

3.2.1. Implications for third parties

21. The criteria for accepting a patent application for grant under the 2013 Act are much stricter than the criteria for acceptance under the 1953 Act. One major difference is that patent applications made under the 2013 Act are examined for inventive step². Applications examined under the 1953 Act are not examined for inventive step.

² Under section 7 of the 2013 Act, an invention involves an inventive step if it is not obvious to a “person skilled in the art” having regard to any matter which forms part of the prior art base.

22. The effect of this is that it is possible for patents to be accepted for grant under the 1953 Act for inventions that are “obvious” variations on what already exists. Under the 2013 Act, patents would not be accepted for grant for such inventions.
23. Although patent applications made under the 1953 Act are not examined for inventive step, lack of inventive step is a ground on which third parties can oppose grant of a patent, or apply to have a granted patent revoked or re-examined. This means that patent applications could be accepted for grant under the 1953 Act which might be refused in an opposition or re-examination proceeding or, if granted, be revoked by the High Court.
24. A consequence of this is that patent applications could be accepted for grant that may cover products already being produced or marketed by third parties and that should not be patentable. This leaves third parties open to being sued for patent infringement. The only way that third parties can protect their interests is to oppose the grant of the patent, or, if the patent has been granted, apply to have it revoked.
25. There are significant costs involved in opposing the grant of a patent, or pursuing an application for revocation, even if the opposition or application for revocation is successful. Because of the costs involved, many third parties may decide not to oppose the grant of a patent, or apply for revocation. This may mean that they end up paying a license fee that they should not have to pay, or ceasing marketing or production of a product that should be free for anyone to make or sell.
26. A major reason for introducing examination for obviousness in the 2013 Act was to reduce the likelihood that applications covering “obvious” inventions would be accepted for grant. This would reduce the likelihood that businesses would have to incur the substantial costs involved in opposition or revocation proceedings in order to protect their interests.
27. As mentioned earlier, it is possible under the 1953 Act to “daisychain” divisional patent applications by making a divisional application that is derived from a previous divisional application. If the original parent application is a 1953 Act application, then the effect of section 258 of the 2013 Act is that all subsequent divisional applications derived from that application, in including “daisychained” divisionals, will be treated as 1953 Act applications.
28. A consequence of this is that it is possible to keep an an original patent application “pending”³ for up to twenty years from the date the original patent 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.
29. The applicant for “daisychained” 1953 Act divisional applications may choose to allow any or all of the divisional applications to be accepted. If this occurs, this can mean

³ A patent application is “pending” if it has not been accepted, or is not void or abandoned.

that third parties could be faced with the cost of filing multiple oppositions or applications for revocation to protect their interests, one for each divisional application that is accepted.

30. On this basis, the current transitional provisions for divisional patent applications in section 258 of the 2013 Act could be considered inconsistent with the policy intent behind the 2013 Act. The effect of the current provisions may impose additional costs on third parties that the 2013 Act was intended to avoid.

3.2.2. Implications for IPONZ

31. As noted above, it is possible for a parent patent application made before the entry into force of the 2013 Act to be kept “pending” through the making of “daisy-chained” divisional patent applications. All patent applications made, or treated as having been made, under the 1953 Act will be examined under the 1953 Act unless the applicant explicitly abandons the application prior to examination.
32. The effect of this is that the Intellectual Property Office Of New Zealand (“**IPONZ**”) must maintain the capacity to examine 1953 Act divisional applications potentially for up to twenty years after entry into force of the 2013 Act. This requirement would mean examiners would need to be trained to examine applications under both Acts until at least the early 2030s. This imposes additional costs and complexity for IPONZ which may mean that IPONZ fees may be higher than might otherwise be the case.

3.3. Is there actually a problem?

33. As of mid-July 2016, there were 3054 pending applications made under the 1953 Act. 1693 of these applications were divisional applications.
 - 661 of the 1693 divisional applications are “first generation” divisional applications, divided from applications that are not themselves divisional applications;
 - 691 of the 1693 divisional applications are “second generation” divisionals, divided from applications that are first generation divisionals;
 - 341 of the 1693 divisional applications are “third generation” divisionals, divided out of second generation divisionals.

The second and third generation divisionals are examples of “daisy-chained” divisional applications. It is likely that there will be further fourth generation divisional patent applications divided out of the third generation applications.

34. One submission⁴ to the Commerce Select Committee considering the Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill suggested that the continuing acceptance of divisional patent applications examined under the Patents Act 1953 was a significant problem for that submitter. This submitter is the opponent in 29 active oppositions, and has filed 44 oppositions over the past five years.
35. On the basis of the figures quoted above, it does seem that there may well be a problem. The large number of “daisy-chained” divisional patent applications has the potential to impose significant costs and uncertainty on local businesses. This cost and uncertainty could continue for up to twenty years from entry into force of the 2013 Act, that is until September 2034.

Question 1:

Under section 258 of the 2013 Act, applications divided from patent applications made before the entry into force of the 2013 Act are examined under the 1953 Act.

The Ministry considers that this approach may be adversely affecting third parties, including local businesses. Do you agree? If not, please explain why.

3.4. Possible options to deal with the problem

36. MBIE has identified three potential options:
- i. No change to the transitional provisions of the 2013 Act (the status quo);
 - ii. Amend the transitional provisions to provide that, after a specified date, it would not be possible to make divisional applications from a parent patent application that is, or is treated as, a 1953 Act application; and
 - iii. Amend the transitional provisions to provide that, after a specified date, divisional applications made from a parent application that is, or is treated as, a 1953 Act application under section 258 of the 2013 Act, will be examined under the criteria set out in the 2013 Act.

Question 2:

The Ministry has identified three options (including no change) for dealing with the potential problems identified in relation to section 258 of the 2013 Act.

Are there any other options you think should be considered? If so, please describe them.

⁴ See https://www.parliament.nz/en/pb/sc/submissions-and-advice/document/51SCCO_EVI_00DBHOH_BILL66518_1_A499540/fisher-and-paykel-healthcare-limited.

3.5. Assessment of the options

37. What factors should be taken into account In deciding which option is the most suitable? The following factors seem to be the most relevant:
- i. Certainty for third parties on the scope of patent rights that might be granted on divisional patent applications made under the 1953 Act;
 - ii. Certainty for patent applicants that they will be able to obtain patent rights for any or all of the inventions disclosed in their patent applications;
 - iii. Consistency with New Zealand’s relevant international obligations;
 - iv. Minimise the length of time that IPONZ must maintain the capacity to examine patent applications under the 1953 Act.

3.6. Option 1 – no change

38. Under this option, there would be no change to the current transitional provisions. In looking at the factors set out above, this option does not satisfy factors (i) and (iv), but does satisfy factors (ii), (iii).
39. This option fails to satisfy factor (i) as it continues the uncertainties and problems set out in section 3.2 above. It does not satisfy factor (iv) either, as it would require IPONZ to maintain the capacity to examine 1953 Act applications for at least another 18 years.

3.7. Option 2: No divisional applications from 1953 Act applications after a specified date

40. If this option is adopted, it would not be possible, after a specified date, for divisional applications to be filed from applications that are divided from a parent application that is, or is treated as being, a 1953 Act application under section 258 of the 2013 Act.
41. This option would satisfy factors (i) and (iv) above, but not factors (ii) and (iii).
42. It would eventually eliminate the uncertainty created by 1953 Act divisionals once any remaining 1953 Act divisional applications had been accepted or become void. This would probably occur within two years of the specified date. After this, IPONZ would no longer need to maintain the capacity to examine 1953 Act application.
43. However, this option could be unfair to applicants who might not be able to obtain patent rights for all of the inventions disclosed in their applications. This could be a particular problem if examination of a 1953 Act divisional, after the specified date, resulted in an objection by a patent examiner that the application related to more than one invention. Under these circumstances, the applicant would only be able to obtain

patent protection for one, but not all, of the inventions identified by the patent examiner.

44. Option 2 could be considered inconsistent with Article 4G of the Paris Convention, as it would restrict the ability of applicants to file divisional patent applications where the parent application has been found by a patent examiner to relate to more than one invention.

3.8. Option 3: 1953 Act divisional applications examined under the Patents Act 2013 if made after a specified date (preferred option)

45. Under this option, any divisional applications derived from 1953 Act applications, or applications treated as 1953 Act applications, made after a specified date, would be examined under the requirements of the 2013 Act. In order for these divisional applications to be accepted for grant, they would have to meet the criteria set out under the 2013 Act, rather than those set out under the 1953 Act.
46. Among other requirements, this would mean that 1953 Act divisional applications would be examined for obviousness.
47. This option appears to satisfy all of the factors set out above, and for this reason, it is the Ministry's preferred option. It would eliminate the uncertainty created by 1953 Act divisionals once any remaining 1953 Act divisional applications filed before the specified date had been accepted or gone void. This would probably occur within two years of the specified date. After this, IPONZ would no longer need to maintain the capacity to examine 1953 Act application.
48. In respect of factor (ii), while applicants with 1953 Act divisionals would still be able to obtain patent protection for all the inventions disclosed in their applications, these patent rights may be narrower than they might have obtained under the status quo.

3.8.1. How might option 3 be implemented?

49. If option 3 is adopted, it is proposed that the 2013 Act be amended to provide that applications divided out of applications that are, or are treated as, 1953 Act applications under s258(2) of the 2013 Act would be deemed to be applications made under the 2013 Act if made after the specified date.
50. This means that any applications that are further divided from these divisional applications will also be treated as 2013 Act applications. It also means that the 2013 Act provisions will apply to opposition, re-examination and revocation proceedings involving these applications or any patents granted on them.

3.9. Summary Table of Options

51. The following table summarises the analysis of the options set out above. A ✓ symbol indicates that the option satisfies the factor concerned; a ✗ symbol indicates that option does not.

	Certainty for third parties	Certainty for patent applicants	Consistency with international obligations	Minimise time that IPONZ must retain 1953 Act examination capacity
Option 1: Status Quo	✗	✓	✓	✗
Option 2: No 1953 Act Divisionals after specified date	✓	✗	✗	✓
Option 3: 1953 Act 2013 divisionals treated as 2013 Act applications (preferred option)	✓	✓	✓	✓

Question 3:

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

3.10. What should the ‘specified date’ be?

52. Options 2 and 3 described above refer to a “specified date” after which the restrictions on filing 1953 Act divisional applications set out in those options will apply. The specified date will likely be defined as a set time period after the amendments to the transitional provisions of the 2013 Act enter into force.
53. Whatever date is set, patent applicants with pending 1953 Act applications will need to be given sufficient time to decide whether to file divisional applications prior to entry into force of the amendments to the 2013 Act referred to above. If they do decide that this is what they want to do, they will need time to actually make the applications.
54. At the same time, the date should not be so far into the future that it unnecessarily prolongs the uncertainties produced by the current provisions of section 258 of the 2013 Act.

Although MBIE has no preferred date, a period of no more than three months from entry into force of the amendments to the 2013 Act could be a reasonable starting point.

Question 4:

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

4. Implementation

55. As discussed earlier in this document, the Ministry considers there is a case for amending the transitional provisions in section 258 of the 2013 Act. The nature of any amendment is such that it does not justify a standalone Bill. Instead, it is intended that the changes be progressed as soon as a suitable legislative vehicle becomes available. This is likely to be some time away.

5. Other issues related to divisional patent applications

56. This discussion document is directed to possible changes to the transitional provisions in section 258 of the 2013 Act relating to divisional patent applications. The Ministry is aware that potential problems relating to the divisional patent application regime have been identified in other jurisdictions, and which may also be a problem in New Zealand.
57. Submitters are invited to comment on any other aspects of the divisional patent application system where they consider that there are problems or issues that might need to be addressed. MBIE will consider whether any additional issues identified by submitters should be pursued further.

Question 5:

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