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

By email: ip.policy@mbie.govt.nz

Divisional Patent Applications – possible changes to the transitional provisions in section 258 of the Patents Act 2013

Introduction

1. The New Zealand Law Society welcomes the opportunity to comment on *Divisional Patent Applications – Possible Changes to the Transitional Provisions in Section 258 of the Patents Act 2013* (discussion document).
2. For the reasons set out below, the Law Society considers that the transitional provisions in section 258 of the Patents Act 2013 should remain unchanged.

Comments

3. The discussion document indicates that more than half of the 3,054 applications required to be considered under the Patents Act 1953 (the 1953 Act) that were still pending in mid-July 2016 were divisional applications. Of these, 661 were first generation divisionals, 691 were second generation and 341 were third. The discussion document states:

The second and third generation divisionals are examples of “daisy-chained” divisional applications. It is likely that there will be further fourth generation divisional application divided out of the third generation applications.¹

4. However, the discussion document does not provide any information about the outcome of each parent application, which usually explains why the divisional applications were filed. A divisional application may have been filed:
 - to overcome an objection that an application claimed more than one invention;
 - voluntarily by the applicant where the parent application discloses more than one invention; or
 - when an applicant, nearing the deadline for putting the parent application in order for acceptance, chooses to file a “whole contents” divisional application instead of requesting a hearing.²

¹ At paragraph 33

² A “whole contents” divisional application is a divisional application filed with all of the substantive claims of the parent application – the parent application then being allowed to lapse.

5. Paragraph 29 of the discussion document states:

The applicant for “daisy-chained” 1953 Act divisional applications may choose to allow any or all of the divisional applications to be accepted. If this occurs, this can mean 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.

6. The statement that an applicant may “choose to allow any or all of the divisional applications to be accepted” does not acknowledge that in the case of each whole contents divisional application, the parent application has been refused during examination and abandoned.
7. The applicant cannot “choose to allow” such an application to be accepted, because it has been abandoned. It is no threat to a third party. If the applicant chooses to continue to file whole contents divisional applications, in each of the third, fourth or subsequent filings that parent application will have been abandoned. The only cost to a third party is the need to monitor the status of each subsequent divisional. Filing and prosecuting successive daisy-chained whole contents divisional applications comes at an expense to the applicant in that (a) it incurs the costs of the divisional and (b) it is missing out on effective patent term as this does not commence until a patent has been granted.
8. In the case of divisional applications filed where the parent application discloses more than one invention, the applicant should be entitled to two or more patents if IPONZ examination has so determined. There are two safeguards in the 1953 Act to ensure that applicants do not manipulate the system. All divisional applications are examined to ensure that there is no overlap of claimed subject matter with the parent.³ And if an antecedent application of a second or subsequent divisional application has been granted, that divisional application is examined to ensure that none of its claims have been prior claimed in an antecedent.⁴
9. If divisional applications are examined in accordance with the 1953 Act and the 1954 Regulations, the opportunities to daisychain a divisional application resulting from multiple inventions being claimed in a parent application are very limited.
10. The discussion document cites a submission on the Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill as evidence that daisy-chained divisional applications are a problem.⁵ The submitter is an opponent in 29 active oppositions and in 44 oppositions in the last five years. The submission asserts:

22. However, the transitional provisions also permit the filing of divisional applications which will also continue to be examined under the Patents Act 1953, regardless of when those divisional applications are actually filed. Further divisional applications may be daisy-chained and also continue to be examined under the Patents Act 1953. Patent applications will therefore continue to be filed and granted under the repealed 1953 Act for at least 20 years from the commencement of the 2013 Act.

23. Examination under the Patents Act 1953 involves an examination as to novelty of the claimed invention. However, there is no examination for the requirement of an inventive step, which is nonetheless fundamental to the validity of a granted patent. [the submitter’s] experience has shown that its competitors routinely exploit this loophole in applying for, and obtaining, acceptance of patent applications of dubious validity. [The submitter] is therefore forced to

³ Patents Regulations 1954, regulation 23(2)

⁴ Patents Act 1953, section 14(2)

⁵ At paragraphs 34 and 35

oppose a large number of patent applications it considers invalid, at significant expense. If such patent applications are allowed to grant, the risk of an interim injunction threatens [the submitter's] ability to continue manufacturing at least some of its products in New Zealand.

11. While the need to file oppositions may be of concern to the submitter, its submission does not identify which, if any, of the 44 oppositions lodged by it in the last five years have been to daisy-chained divisional applications. In the absence of such evidence, there does not appear to be any basis for concluding that the need to file oppositions is because competitors have been able to obtain acceptance of daisy-chained applications.
12. Options 1 and 2 in the discussion document would not address the submitter's main concern. Option 3 would constitute retrospective legislation. Applicants who filed applications under the 1953 Act in good faith would be deprived retrospectively of some of the rights to which they were entitled under the 1953 Act.
13. Paragraph 30 of the discussion document suggests that the policy intent of the 2013 Act was to avoid imposing additional costs on third parties. The purposes of the 2013 Act are set out in section 3. The primary purpose of the Act is to promote "innovation and economic growth while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole." It is not evident how the proposal in option 3 would achieve that appropriate balance.
14. Paragraph 32 of the discussion document states that to leave the 1953 Act unamended would mean:

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.
15. This concern may be overstated. The 20-year period is an absolute outside date and is raised in the discussion document as an outlier rather than reflecting what can be realistically expected. Further, examiners trained to examine 2013 Act applications would only have to be "trained" *not* to examine for inventive step, and to determine the date of publication in New Zealand of any prior art in order to examine 1953 Act applications. That does not appear to be something that would impose costs and complexity on IPONZ, and should be within the existing skill competencies of examiners. The costs of any examination of daisy-chained divisional applications would be borne by the applicants.
16. In summary, the Law Society opposes the proposal to amend section 258 of the Patents Act 2013 because:
 - the evidence concerning daisy-chained divisional applications is not complete. Without knowing why divisional applications were filed and the fate of their parent applications, the suggested harm they might be causing is speculation;
 - the submitter cited in the discussion document presents evidence of the number of applications it has opposed, but does not present evidence that any of the opposed application were daisy-chained divisionals or that they would not have been opposed if they had been examined for inventive step;

- option 3 is proposing retrospective legislation without any convincing evidence that there is a need for it, or that the proposal would solve any such problem if it does exist;
- the primary purpose of the 2013 Act is to achieve an appropriate balance of interests – and it is not clear how the proposal in option 3 would achieve that purpose;
- the 20-year period is an absolute outside date and is raised as an outlier rather than reflecting what can be realistically expected; and
- the concern that examiners trained to examine applications under the more rigorous standards of the 2013 Act would have to be specially trained to examine applications under the less rigorous standards of the 1953 Act may be overstated.

Other issues

17. The discussion document (at paragraph 56) invites comment on any other aspects of the divisional patent application system where there may be issues that need to be addressed. There is one issue the Law Society wishes to raise, which is of potential relevance to all patent applications, including divisional applications.
18. At a meeting with MBIE officials on 1 December 2014 (the minutes of which are **attached**) the Law Society raised a concern about whether an applicant who had used up a 12-month time period to put a patent application in order for acceptance⁶ could be granted a hearing when neither the Act nor the regulations provided any power for the Commissioner to grant an extension of the 12-month period – so any such application will have lapsed. This is in contrast to section 72 of the Act, which does allow an extension of time when an applicant is entitled to an extension of time after the same 12-month period for an appeal to the High Court.
19. The matter was not resolved at that meeting and there have been no subsequent discussions on the point. The Law Society suggests that this matter should be resolved by amending either the Act or regulation 80 before an applicant finds that their application has been irrevocably abandoned because of an omission in the drafting of the Act and Regulations.

Conclusion

20. This submission was prepared with the assistance of the Law Society's Intellectual Property Law Committee. If you wish to discuss it further, please contact the Committee secretary, Jo Holland (jo.holland@lawsociety.org.nz / 04 463 2967).

Yours faithfully

Redacted - Privacy

Kathryn Beck
President

Enclosure: Minutes of meeting of 1 December 2014

⁶ Patents Act 2013, section 71; Patents Regulations 2014, regulation 80.