
**SUBMISSION OF JAMES & WELLS
IN RESPONSE TO PROPOSED CHANGES TO THE TRANSITIONAL PROVISIONS IN
SECTION 258 OF THE PATENTS ACT 2013
– DIVISIONAL PATENT APPLICATIONS**

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DIVISIONAL PATENT APPLICATIONS**

1. This submission is made on behalf of James & Wells in response to the proposals in the consultation document on possible changes to the transitional provisions in section 258 of the Patents Act 2013 relating to divisional patent applications.
2. James & Wells was founded in 1979 with a particular focus on servicing the intellectual property requirements of regional clients in New Zealand.
3. James & Wells currently operates offices from four centres throughout New Zealand (Auckland, Hamilton, Tauranga and Christchurch).
4. 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 the footnote to paragraph [34] of the consultation document.

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.

5. All patent rights may have an adverse effect on another party operating in the same industry as the patentee. We do not believe it is reasonable only to ask whether the examination under the 1953 Act of patent applications divided from applications filed before commencement of the 2013 Act is adversely affecting third parties. Instead we believe the relevant question is whether this provision *unreasonably* adversely affects third parties compared to the suggested alternatives.
6. Re-phrasing the question this way, we believe that third parties, including local businesses, are *not* unreasonably adversely affected by the examination under the 1953 Act of patent applications divided from applications filed before commencement of the 2013 Act.

Comparison of Filing Strategies Available under 1953 Act

7. A patent applicant seeking protection for multiple inventions under the 1953 Act had two strategies available to them:
 - 7.1. File separate patent applications directed to each invention (strategy 1); and
 - 7.2. File a single patent application covering the multiple inventions initially and divide applications directed to each separate invention later on (strategy 2).

In some cases, applicants under the 1953 Act have legitimately elected to pursue protection using strategy 2.

8. There is no more adverse effect on third parties from divisional applications filed under the 1953 Act under strategy 1 than separate patent applications filed under that Act under strategy 2.
9. Since the adverse effect on third parties of divisional applications examined under the 1953 Act is the same in these two situations, we do not believe continued examination of divisional applications under the 1953 Act creates an unreasonable and/or increased adverse effect for third parties.
10. The reasonableness or otherwise of continuing to examine such divisionals under the 1953 Act must also be balanced against the reasonableness of subjecting a patent application filed under the 1953 Act to a set of rules and regulations not in place when the patent application was filed. Since the two filing strategies mentioned above were both available to applicants when filing applications under the 1953 Act we believe it would be unreasonable to disadvantage those applicants electing to pursue strategy 2 over strategy 1 where, in making that decision, they had not been forewarned that pursuing strategy 2 might have subsequent adverse consequences due to a change in the examination criteria to which those applications were subjected.
11. A huge number of complete patent applications were filed in New Zealand immediately prior to the commencement of the 2013 Act by both local and overseas businesses. This illustrates the importance applicants place on applications being examined under the criteria of the 1953 Act when applications have been prepared for filing under that Act.

Applications Prepared to Requirements of 1953 Act

12. Patent applications examined under the 1953 Act are not examined for inventive step while patent applications examined under the 2013 Act are. The consultation document points out that, as a consequence of this, examining

patent applications filed before commencement of the 2013 Act under the 2013 Act would lead to less applications being accepted for inventions that lack inventive step, potentially reducing the number of oppositions being filed.

13. However, the consultation document does not consider the impact of the stricter requirements for validity under the 2013 Act compared to the 1953 Act.
14. The 2013 Act has higher standards for support and utility compared to the 1953 Act, and certain subject matter areas are specifically excluded from patentability under the 2013 Act but are not excluded under the 1953 Act (computer programs as such, for example).
15. Many patent applications will have been prepared in good faith to meet the requirements of the 1953 Act which may not meet the requirements of the 2013 Act and most shortcomings under that Act cannot be rectified because of restrictions on adding matter in the 2013 Act.
16. It would be manifestly unfair to applicants for those applications to be rejected in consequence of the stricter requirements of the 2013 Act.

Conclusion

17. Continuing to examine patent applications divided from applications filed before commencement of the 2013 Act under the 1953 Act is beneficial to some parties, including those local businesses who have elected to pursue a particular filing strategy when filing patent applications under the 1953 Act, and who have prepared their patent applications in good faith in accordance with the requirements of the 1953 Act.
18. As a matter of principle, we also believe it is unfair to applicants to retrospectively apply new laws to applications filed under earlier laws where the intention do so has not been signalled to those applicants at the time of making the decision to file. In fact any such 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.

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.

19. We do not propose any other options for consideration.

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.

20. We do not agree that option 3 from paragraph [36] of the consultation document is the best option.
21. Our preferred option is for there to be no change to the transitional provisions of the 2013 Act (i.e. maintain the status quo).
22. Our reasons for this view follow from our comments in paragraphs [5]-[17] above. That is, as a matter of principle, we believe it is unfair to applicants to retrospectively apply new laws to their applications prepared and filed in good faith under those earlier laws.
23. In addition, we do not believe that examination under the 1953 Act of patent applications divided from applications filed before commencement of the 2013 Act unreasonably affects third parties because they would be subject to the risk of infringing the same patent rights as if those applications had been filed as separate applications under the 1953 Act.
24. Finally, it is unfair to applicants to subject their applications prepared in accordance with the 1953 Act to the stricter requirements of the 2013 Act since this may well result in a loss of rights that were legitimately applied for.
25. Paragraph [29] of the consultation document points out that daisy-chaining divisional applications under the 1953 Act may lead to the situation where a third party is faced with the cost of opposing or seeking to revoke multiple applications or patents. However this is no different to the situation a third party would face if the applicant had elected to pursue protection for the inventions in separate applications at the time of filing. Multiple oppositions result from a patent applicant's decision to protect multiple aspects of an invention and not from the type of patent application they use to do so.
26. Paragraph [30] of the consultation document says the 2013 Act transitional provisions for divisional patent applications could be considered inconsistent with the policy intent behind the 2013 Act. The same might be said for all legislation which replaces and overhauls previous legislation. The policy intent behind laws enacted in 2013 is irrelevant to applications filed under the 1953 Act and the policy intent behind that Act. Again, it is unfair to patent applicants to apply policy / law changes retrospectively and without advanced notice (i.e. notice at the time filing decisions were being made).
27. Paragraphs [32] and [39] of the consultation document point out that the transitional provisions of the 2013 Act require IPONZ to maintain the capacity to

examine 1953 Act applications for at least another 18 years, which would impose costs and complexity.

28. We do not believe this reasoning necessitates a change in the law for the following reasons:
 - 28.1. In accordance with section 22 of the 2013 Act, the role of IPONZ is to ensure that all the duties and functions of the Commissioner required by the 2013 Act are fulfilled. That is, the role of IPONZ is to administer the law set by the Government. The ease of administration should not direct the law;
 - 28.2. Sections 95 and 254 of the 2013 Act provide for the re-examination of patents granted under the 1953 Act. Section 254(2)(d) states that the grounds of re-examination are the grounds for revocation by the court under the 1953 Act. IPONZ will therefore need to maintain the ability to re-examine applications granted under the 1953 Act based on the grounds of revocation of the 1953 Act for at least a similar period of time. Given IPONZ needs to maintain this ability, continued examination of applications under the 1953 Act is not a significant additional burden and indeed may be required to ensure that the Office is capable of receiving and competently handling applications for re-examination of patents filed under the 1953 Act;
 - 28.3. IPONZ has had the ability to examine patent applications under the 1953 Act for over 50 years. It does not seem to be a burden for it to continue to do so; and
 - 28.4. The criteria for examination under the 1953 Act are, in general, less strict than the criteria for examination under the 2013 Act. Therefore training examiners to examine applications under the stricter 2013 Act should also enable those examiners to examine applications under the 1953 Act.
29. We also note that, if option 2 or 3 of the consultation document is implemented, this is likely to result in those applicants with pending divisional applications filed under the 1953 Act filing a large number of divisional applications before the specified date so that those applications are also examined under the 1953 Act. This was the effect of recent law changes relating to divisional applications in Australia and Europe, as well as the effect of the commencement of the 2013 Act (where many divisional applications were filed before the date of commencement). Many of these applications may be filed as a precautionary measure and may not ordinarily be filed if applicants are able to do so in accordance with the current requirements of the 1953 Act. IPONZ may find the

examination of these divisional applications to be more costly and complex than continuing to examine applications under the 1953 Act if option 1 (i.e. no change to the law) is adopted.

Other issues with options 2 and 3 that need consideration

30. For the reasons set out above, we do not believe that options 2 or 3 as set out in the consultation document should be adopted. However, if either option 2 or 3 is implemented there are further issues that will need consideration.
31. Firstly, the specified date from which time the new provisions would apply is important. We comment on that in response to question 4, below.
32. If option 3 is adopted, the consultation document does not clarify the extent to which the 2013 Act would apply to any divisional applications filed after the specified date. Paragraphs [36(iii)] and [45] of the consultation document state that such divisional applications would be *examined* under the criteria of the 2013 Act but clarification is required as to whether other provisions of the 2013 Act would also apply.
33. Clarification would be required as to whether examination would need to be requested for such divisional applications and, if so, what the deadline to request examination would be. Regulation 71 of the Patents Regulations 2014 purportedly sets a deadline to request examination of a 2013 Act application of five years from the filing date (the date of filing the original parent application in the case of a divisional application) and it is not clear whether that deadline would apply. If it did then this might result in some divisional applications legitimately filed under the 1953 Act being voided for falling outside the statutory timeframe for requesting examination.
34. Clarification would also be required as to what happens in cases where the five year deadline under reg 71 has passed. In our view, if option 3 is adopted, it would be unfair to applicants to prohibit the filing of further divisional applications after the specified date has passed because of the five year deadline under reg 71. An exception to the deadline under reg 71 for divisional applications deriving from a 1953 Act application would therefore be necessary.
35. Another example of where clarification would be required if option 3 is adopted is whether renewal fees are payable under the provisions of the 2013 Act or the 1953 Act while the application is still pending.

Question 4: What should the specified date be after which the restrictions on filing 1953 Act divisional applications set out in options 2 or 3 will apply? Please explain why you think this date should be adopted.

36. As explained above, our preferred option is for there to be no change to the transitional provisions of the 2013 Act (i.e. maintain the status quo).
37. However, if either option 2 or 3 is implemented, we believe that the specified date should be a date no earlier than 18 months from the date the Bill implementing the changes is enacted. The reason for this proposal is that 18 months is the longest period for which an applicant is able to request that acceptance of their application be postponed, and is consequently the postponed acceptance period that is routinely requested by all applicants. Allowing this amount of time before the restrictions apply allows an applicant to progress all currently pending 1953 Act applications to acceptance and file any further divisional applications that may become necessary as a result of examination of those applications before the changes come into force.

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?

Deadline for Filing Divisional Applications

38. Section 34(2) of the Patents Act 2013 states that divisional applications must be filed before acceptance of the parent application and in accordance with any further prescribed requirements relating to the period within which divisional applications can be made.
39. Regulation 52 of the Patents Regulations 2014 (which relates to divisional applications) sets no further time limit on the filing of divisional applications. However, reg 71 requires that examination of a divisional application is requested within five years from the date that the complete specification for the divisional application is filed or treated as having been filed, whichever is the earlier. Where a divisional application is antedated to the filing date of the parent application, this means examination must be requested within five years of the date of filing the parent application from which it ultimately derives. There is a possibility that this sets a *de facto* five year deadline for filing divisional applications under the 2013 Act.
40. IPONZ has provided feedback to the New Zealand Institute of Patent Attorneys (NZIPA) that it intends to treat reg 71 as setting a five year deadline on the filing of divisional applications under the 2013 Act. However, there are differing views as to whether this approach is enforceable under the 2013 Act and would stand up to judicial review.

41. Consequently we believe it would be beneficial to clarify whether the law provides for a five year deadline of the filing of divisional applications under the 2013 Act or not.
42. In our view, there should be no such deadline. The 2013 Act has no limitations on “daisy-chaining” of patent applications and we are not aware of any policy decision to prohibit that practice.

Poisonous Priorities / Divisionals

43. Under the 2013 Act, the priority date of a claim is determined under ss 57-63. The 2013 Act does not allow a claim to have multiple or partial priority dates. As a consequence of this, as well as the definition of the prior art base under s 8(2) including a “whole of contents” approach (i.e. including information contained in a complete specification filed before but published after the claim in question), the 2013 Act can lead to the so-called problems of “poisonous priority” or “poisonous divisionals”.
44. The poisonous priority problem occurs if either:
 - 44.1. A priority application is prior art for an application claiming priority from it. This may occur if, for example:
 - 44.1.1. A NZ national phase application is filed from a PCT application that claims priority from a NZ complete application in the first instance; or
 - 44.1.2. Both a NZ complete application and a PCT application are filed that claim priority from the same NZ priority application; or
 - 44.2. Two applications claim priority from the same priority application with one application claiming a broader form of an invention than the other application. In this situation, the application with the narrower claim is prior art for, and therefore ‘poisons’, the other application.
45. The poisonous divisional problem occurs if a divisional application is filed from a parent application that claims priority from a priority application and the parent application describes a broader form of the invention than is described in the priority application. If the divisional application claims the broader form of the invention and the parent application claims a narrower form then the parent application can be prior art to, and thus ‘poison’, the divisional application. Conversely, if the parent application claims the broader form then the divisional application can be prior art to, and thus ‘poison’, the parent application.

46. The details of this phenomenon and how it occurs in other jurisdictions is discussed in more detail in an article '*Poisonous priority arrives in Australia and New Zealand*' by Michael Caine of Davies Collison Cave¹.
47. The poisonous priorities / divisionals problem occurs as the result of 'self-collision' between two patent applications having the same applicant. It is a problem because it creates uncertainty for both an applicant and the general public as to what effect the actions of the applicant itself might have on the validity of its patent applications. For example, the filing of a divisional application could have the effect of invalidating what was a perfectly valid patent application. Thus the situation can be differentiated from how validity is determined if a patent application in the name of one applicant claims a similar invention to that of another patent applicant.
48. To avoid this uncertainty we believe that the 2013 Act should be amended.
49. It is noted that clause 8(3) of the Patents Bill was an anti-self-collision provision that would have avoided these issues. That clause was removed as the result of a single submission that did not include reasoned analysis for why the clause should be removed and it is not apparent that the effect the removal of this clause would have was fully considered.
50. Options for solving the poisonous priorities / divisionals issue include:
 - 50.1. Amending the 2013 Act to include an anti-self-collision provision similar to that proposed in clause 8(3) of the Patents Bill;
 - 50.2. Deleting the words "or were to be" from s 8(2)(a) of the 2013 Act. This would make it easier for applicants to avoid the situation of poisonous divisionals arising because only matter claimed would form part of the prior art base and not any matter disclosed in a specification, thus bringing about a situation similar to the prior claiming provisions under the 1953 Act; or
 - 50.3. Amending the 2013 Act to allow a claim to have multiple or partial priority dates.
51. Our preference is the first option, i.e. amending the 2013 Act to include an anti-self-collision provision similar to that proposed in clause 8(3) of the Patents Bill, as this is in line with the original intention of the legislators and is simple to implement and for applicants to understand.

¹ <http://www.davies.com.au/ip-news/publicationspoisonous-priority-arrives-in-australia-and-new-zealand>

Conclusory Remarks

52. We trust these submissions are of assistance to the Ministry and we thank the Ministry for the opportunity to submit these comments.

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Jonathan Lucas – Partner

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